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General

World Bank Extends Loans for Economic Reform *OW2806235088 Beijing XINHUA in English* 0705 GMT 28 Jun 88

[Text] Washington, June 27 (XINHUA)—China will receive major World Bank loans totalling 500 million dollars aimed at facilitating its rural economic reform and upgrading its railway system, the bank announced here today.

The bank, which is increasingly involved in China's modernization programs, is providing 300 million dollars in mixed loans for China's second phase of rural economic reform.

As China's rural sector becomes more important both for creating employment and for providing food and raw materials, China has decided to further implement rural reforms, with the emphasis on shifting decisionmaking away from government toward individual farmers, local businessmen and investors.

The rural reform to be aided by the bank includes developing internal and export markets for agricultural commodities, reducing reliance on administered prices, permitting a rural pricing system to evolve that reflects the need for both domestic and international trade, and improving land-use rights.

The program also includes strengthening rural industrial enterprises and promoting rural financial market reforms.

The bank will also provide a variable interest loan of 200 million dollars to help China modernize a major section of the Beijing-Guangzhou rail corridor and carry out a computerization study on the Beijing-Shanghai rail corridor, both of which are major arteries of China's North-South transportation.

Commentary Blames U.S. for UN Session 'Failure' *HK2906012588 Beijing RENMIN RIBAO in Chinese* 28 Jun 88 p 6

[Commentary by RENMIN RIBAO reporter Liu Kaichen (0491 7030 1368): "Disappointment in the United Nations Building"]

[Text] United Nations, 26 Jun (RENMIN RIBAO)—The third UN special assembly on disarmament, which lasted a month, closed at 0730 today at the United Nations building without resulting in the release of any document or manifesto. Participants in this assembly who had stayed up the whole night spoke one after another during the closing session, openly expressing their regret, sorrow, and disappointment at the failure of the assembly to achieve any results.

People are wondering: If the first UN special assembly on disarmament held in 1978 adopted a "Final Document" containing some substantive content, while the second UN special assembly on disarmament held in 1982 adopted a "Conclusive Document" which, though containing no substantive content, reiterated the validity of the "Final Document" adopted by the previous special assembly, now that the international situation is moving to detente and all countries have expressed a desire for disarmament more strongly than ever before, why did the third UN special assembly on disarmament fail to produce any specific results?

Observers here agree that this is mainly because there are tremendous differences of opinion between different countries on the disarmament issue. Even more, a few countries, such as the United States, which bear special responsibility for disarmament, have insisted too firmly on their own views and refused to make any compromise, resulting in the assembly failing to conclude any agreement on the content of a draft document.

Participants in the special assembly submitted a host of working documents and written proposals on disarmament during the assembly since late May. All the committee chairmen summed up the opinions of representatives from different countries, worked out a draft of the "final document," and started intensive and frequent consultations, in the hope that the special assembly would turn out a "final document" which would serve as an impetus to future disarmament efforts. Unfortunately, by the last day for consultations, the assembly had still failed to reach agreement on 20 of the 67 articles which formed the draft of the "final document." The failure was mainly due to differences of opinion between the United States and other countries on a series of issues. For example, the United States has held that the "Final Document" adopted by the first UN special assembly on disarmament is out-of-date and therefore should not be taken up again at the current special assembly; the United States has objected to the prohibition of the arms race in outer space; it does not agree to the United Nations' role in disarmament inspection and the close relations between disarmament and development, and so on. The United States has also emphasized the necessity of urging Third World countries to join in disarmament.

To be sure, every country has its own view on disarmament, and this is not surprising. But the UN special assembly on disarmament operates through consultations, which demand that all countries seek common ground while reserving differences and try their best to reach agreement. In fact many countries have indeed made great efforts in the course of consultations. For example, developing countries agreed to add a note to the draft of the "final document" to declare that the document adopted by the conference on the relationship between disarmament and development last year concerns only those countries participating in that conference, thus the United States, which was not represented

in that conference, would not have to commit itself to any document released therefrom. For another example, just because the United States objected to reduction of the navy, the Swedish delegation agreed that the passage it proposed asserting that "the navy must not be exempted from disarmament" will be deleted from the draft document. However, all these compromises called forth no response from the U.S. representative, who held to his stand and disapproved an extension of the assembly for further consultations. According to a report in the NEW YORK TIMES, a high-ranking U.S. government official had declared on the eve of the current special assembly: "If they (denoting other countries represented at the special assembly) attempt to commit us to any restriction, we are prepared to break away from consultations." This exposed the real reason why the United States always refused to budge from its original position during the special assembly.

Although the current special assembly has made no specific achievements, it has produced some positive effects. Except South Africa, 158 other members of the United Nations participated in the special assembly. Also represented at the assembly were 107 mass organizations relating to disarmament from the five continents. This was an unprecedentedly large-scale assembly. Representatives from all the countries gathered together during the special assembly to discuss the disarmament issue which is of vital importance to world peace and mankind's security. This special assembly, which has further revealed the complexity and arduousness of disarmament efforts, will inspire all countries to strive harder to check the arms race and to safeguard world peace.

UN Secretary General Seeks Cambodian Settlement
OW2806180588 Beijing XINHUA in English
0025 GMT 28 Jun 88

[Text] United Nations, June 27 (XINHUA)—U.N. Secretary-General Javier Perez de Cuellar has sent a special representative to Kampuchea and Vietnam to seek a political settlement of the Kampuchean issue, a U.N. spokeswoman announced here today.

Nadia Younes told reporters that Fakhruddin Ahmed, U.N. under secretary-general for humanitarian affairs in Southeast Asia, is now in the region to contact the parties concerned so as to find a political solution to the protracted war there.

She said Ahmed is carrying a working paper containing specific proposals that could provide the basis for negotiating a comprehensive settlement of the Kampuchean problem.

The Kampuchean problem, a result of the Vietnamese occupation Kampuchea, has been on the agenda of U.N. General Assembly debate ever since Vietnam invaded the small Southeastern Asian country in 1978.

According to Younes, Ahmed arrived in Bangkok last Friday and met Prince Sihanouk on Saturday for about two hours. Later on the same day, he also met Khieu Samphan, vice president of Democratic Kampuchea, for an hour and a half.

He is expected to meet with Vietnamese Foreign Minister Nguyen Co Thach in Hanoi today and then meet with officials from the Vietnamese-backed Phnom Penh regime.

He will meet again with Prince Sihanouk on July 2 and is going to talk with Thai Foreign Minister Air Chief Marshall Sitthi Sawetsila and Indonesian Foreign Minister Ali Alatas on July 3.

On behalf of the secretary-general, Ahmed will attend the opening session of the Association of Southeast Asian Nations (ASEAN) foreign ministerial meeting on July 4-5 in Bangkok.

In a statement issued here today, the U.N. chief said that Ahmed's current meetings with the four Kampuchean parties are conducted "on the basis of no political labels."

However, sources from Democratic Kampuchea said today that they don't think the secretary-general should do this because the United Nations recognizes Democratic Kampuchea as the legitimate government representing the Kampuchean people.

This is just what the Vietnamese "explored," the sources said.

According to Younes, Ahmed has reported to the secretary-general from Bangkok on his contacts with the three Kampuchean parties there. He will fly to Geneva on July 4 to report to the U.N. chief on his subsequent contacts.

United States & Canada

U.S. Congress Prepares Revised Trade Bill
OW2406235788 Beijing XINHUA in English
1736 GMT 24 Jun 88

[Text] Washington, June 24 (XINHUA)—A revised trade legislation was introduced in the Senate Thursday by Lloyd Bentsen, chairman of the Senate Finance Committee, and co-sponsored by 70 senators, U.S. press reports said today.

An identical bill was introduced in the house by Dan Rostenkowski, chairman of the House Ways and Means Committee, last week.

Bentsen, a Texas Democrat, and Rostenkowski, a Democrat from Illinois, predicted the revised trade bill would be enacted later this summer.

The revised trade bill is similar to the measure that President Reagan vetoed last month, but stripped of the controversial provision requiring companies to give workers 60 days' notice of plant closings or layoffs.

The advance-warning provision which President Reagan singled out as objectionable when he vetoed the trade measure, has been introduced as a separate bill scheduled for a vote in the Senate today.

Senator Bentsen said, "When you have 70 sponsors and only need 60 for closure, that should send [words indistinct] signal," referring to the number of votes needed to overcome the obstruction by opponents of the bill.

Rostenkowski told a business group Thursday that the House would probably vote on the trade bill on Wednesday next week. It is expected to pass overwhelmingly.

The Senate Majority Leader, Robert Byrd of West Virginia, said he did not expect the Senate to take up the bill before the end of next month, because he wants to get appropriations bills through first.

The trade bill would give the President additional powers to enforce laws against "unfair trading practices" of other nations and would make the United States a more aggressive trading partner.

In late April, when the original trade bill cleared the Senate, the European Community threatened to retaliate if [words indistinct] it into law.

The Common Market, Japan and some East Asian countries and regions said the bill was protectionist and would harm their economic interest.

'Special Dispatch' on Shultz' Middle East Trip
HK2806142988 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 25, 20 Jun 88

["Special Dispatch" by Mu Guangren (4476 1639 0088):
"Shultz' Fourth Trip to the Middle East"]

[Text] Cairo—George Shultz came and left in a hurry. This was his fourth shuttle visit to the Middle East.

Many people asked: Why did Shultz visit the Middle East the fourth time knowing full well that he would not make a breakthrough?

There has been no marked change in the Arab or Israeli stands since Shultz' third Middle East visit 2 months ago, and neither side is willing to make a concession. The sides concerned know Shultz' plan, just as the United States knows their positions. The flames of revolt and struggle of the Palestinian people have been burning for 6 whole months on the West Bank of the Jordan River and in the Gaza Strip. The assassination of important

PLO leader Abu Jihad by Israeli special agents aggravated the confrontation between the two sides. Israeli Prime Minister Yitzhak Shamir told Shultz that his visit would fail. Even Shultz himself said that his visit would not effect a breakthrough.

Then how should we understand his "fervent" desire to visit the Middle East the fourth time while he himself full well knew that his visit would be fruitless?

Taking Action Ahead of the Arab Summit [subhead]

Shultz would not have taken the trouble of visiting the Middle East if history had stood still. But history, after all, is moving forward.

Shultz hurried to the Middle East on 3 June before the Arab summit was held in Algiers on 7 June. This was easy to understand. If at the summit the Arab leaders adopted a resolution rejecting Shultz' plan, this would be as bad as passing a death sentence on the U.S.-Middle East plan. The assassination of Abu Jihad infuriated the PLO, the Palestinian people, and the Arab world. They had reasons to demand that the Arab summit pass a resolution rejecting Shultz' plan. Since Shultz was attending a meeting in Moscow, the United States sent Vernon Walters, the U.S. ambassador to the United Nations, to persuade the Arab countries, thus giving them a "preventive inoculation," and Shultz came to the Middle East as soon as the Moscow meeting concluded. The White House was of the opinion that so long as the Algiers summit did not adopt a resolution rejecting Shultz' plan, the door would remain open to the United States and that Shultz would not make his trip in vain.

To keep the door wide open, however, Shultz had to give the Arabs some "benefits" so they would take an interest in reconsidering his revised plan. At least, he hoped they would allow the United States to continue its Middle East peace talks effort. A U.S. diplomat cited the following example: Shultz' plan is like an assorted diet with various tastes. The sides engaged in the conflict must also take the dishes that are not to their tastes. We must not say that the Arabs will not take any interest in the assorted diet. In addition, dishes more appetizing to the Arabs were added to the assorted diet after the Moscow meeting.

As expected, Shultz did not find the door slammed in his face after the Algiers summit. He could report on the accomplishment of his mission.

Changing Amid the Unchanged [subhead]

Since Shultz returned from Moscow, he should have brought along something discussed at the Soviet-U.S. summit. Coming to the Middle East ahead of the Algiers summit was only an additional factor arising at the last moment. Shultz would come whether or not the Arab leaders convened the Algiers summit.

Gorbachev has been in office for 3 years, but the basic situation in the contention, dialogue, and confrontation between the United States and the Soviet Union has not changed. The signing of the medium-range missile treaty, the Soviet troop withdrawal from Afghanistan, and the Moscow summit—all occurring over the last few months—have relaxed U.S.-Soviet relations and given rise to the tendency of finding a peaceful solution to some regional conflicts.

Regional conflicts vary and cannot be controlled by the two superpowers. In the eyes of Washington, the Soviet Union has extended its hand too far; it has extended its hand directly to Afghanistan and indirectly to Cambodia, Angola, and Central America. Reagan has adopted the strategy of "pushing the Soviets back to a limited degree," thereby forcing the Soviet Union to draw back its hand a little. In the course of reforming Soviet internal and external policies, Gorbachev is also trying to prevent the Soviet Union from "stretching its hands too far away."

But some regional conflicts have not occurred because of Soviet intervention. The Middle East issue has always been taken care of by the United States. Henry Kissinger and Cyrus Vance, former U.S. secretaries of state, recently published articles in *NEWSWEEK* pointing out: "For the last 40 years the United States has been the only big country that has been able to enter into dealings with the relevant sides in the settlement of the Middle East conflict." It is not that the Soviet Union does not want to have a hand in the Middle East, but that the United States does not allow it to do so. This indicates that the United States also has tried to "shut out" the Soviets while pursuing its strategy of "pushing back the Soviets to a limited degree." It is precisely because of this "shutout" policy that Shultz has not minded taking the trouble of traveling to the Middle East time and again.

Previously, the Soviet Union used military aid to support some radical countries in the Middle East in their resistance against the United States. This method required much money but produced few results. Now the Soviet Union has resorted to "omnidirectional diplomacy" and is maintaining friendly ties with both radical and moderate countries; it is even maintaining contacts with Israel. Using this flexible strategy to enter into a rivalry with the United States for the initiative over the Middle East issue constitutes a new threat to the United States. The United States has to change because its opponent is changing. If it does not change, it will lose the opportunity to maintain its initiative in the Middle East peace process.

Gorbachev asserted after the Moscow summit that the Soviet Union and the United States have come closer on the Middle East issue. As disclosed, the Soviet Union no longer insists on convening an "authoritative" international conference on the Middle East issue or objects to linking the peace talks with Arab-Israeli negotiations. The United States was always opposed to convening an

international conference on the Middle East, but stressed the importance of holding direct talks between the sides involved in the conflict, deliberately keeping the Soviet Union out of the talks. During his third visit to the Middle East, Shultz changed a little and agreed to hold an international conference, but the meeting will only be "ceremonial in nature," thus opening the "umbrella" of an international conference under which bilateral Arab-Israeli talks would proceed. Since the Soviet Union had made concessions, this time Shultz further agreed that the international conference could display its role beyond the "ceremonial" scope, including regulating and mediating the relevant matters. But the final decision had to be made by the two sides concerned.

The United States has always sided with Israel, and this position has remained unchanged up to this time. But over the last 6 months, the uprisings of the Palestinian people have aroused U.S. public opinion, and the public has shifted from showing concern for the security and existence of Israel to sympathizing with the situation the Palestinians. World public opinion sympathizes even more. The White House has no alternative but to take into account the people's feelings in its contention against the Kremlin for the Arab people. Shultz stressed on the 5th day of his fourth Middle East visit that Israel and the Palestinians should recognize each other's rights and coexist peacefully and that neither side should "gobble up" everything. These remarks sounded quite "neutral," but when it came to allowing the Palestinians something specific, Shultz did not "elaborate." He even rejected the proposal of setting up an independent Palestinian state.

While in Israel, Shultz instructed hard-liner Shamir to continue Israel's occupation of the West Bank and the Gaza Strip, refusing to grant any rights to the Palestinians. This was a "blind alley" for the Palestinians, he added. He told newspaper editors in Cairo that in the present era of missiles, the past concept that the larger a state's boundaries, the safer, had become outmoded. It seemed that these remarks were also directed at Shamir. However, he did not "elaborate" on the question of whether Israel should withdraw from the occupied territories completely or partially.

Judging from the information Shultz disclosed during his fourth Middle East visit, the Soviet Union and the United States at the Moscow summit came closer on the form and procedure for settling the Middle East issue as well as on some abstract principles. But there was a wide divergence on the key question of the Palestinians' legal status. This knotty problem still remains unsolved. The United States does not recognize the PLO, and this contradicts Shultz' theory of "mutual recognition." The United States is very pleased with itself because only U.S. envoys can shuttle to and from the Middle East, whereas the Soviets are still wandering outside the ring. The United States believes that Shultz' transmission of messages in fact indicates the beginning of "indirect talks." When everything is ready, the Soviet Union will

be invited to sit at the international conference table just to commend the opening of the conference. However, the Americans have been shuttling only between Israel and some Arab countries like Jordan, Syria, and Egypt, keeping aside the PLO, a side involved in the conflict. What they lack is the trump card, without which Shultz' shuttle visits will come to naught. This trump card, however, is in the hands of the Soviet Union.

For Peres' Election Campaign [subhead]

Another important purpose of Shultz' fourth Middle East trip was to help Shimon Peres of the Israeli Labor Party win the November general election. The United States needs a partner like Peres to implement Shultz' plan in the Middle East. Confrontation between the two sides has deteriorated since the people's uprisings have occurred on the West Bank and in the Gaza Strip. As a result, the nationalistic feelings of Israeli extremists have risen and Shamir's Likud has gotten the upper hand in the situation. Shultz worked out a negotiation plan to calm down the uprisings, but to no avail. He still hoped to "lower the temperature" of the blazing situation, because this would be beneficial to Peres.

Shultz left. Some people said he failed, but he himself asserted "there was progress." He even said prior to his departure that he would come again during his term in office. Shultz' obstinacy suggests a change in the unchanged: the Soviet-U.S. contention for the Middle East remains unchanged, whereas the form and tactics for their contention are changing. However, this change is delicate at present. The more flexible the Soviet Union becomes, the more efforts the United States will devote to "shutting out" the Soviet Union. If it cannot shut out the Soviet Union, it will at least try to keep the initiative.

Of course, the change in the relations between the two superpowers cannot determine the change in the relations between the various sides involved in the Middle East conflict. Shultz lectured both the Israelis and Arabs during his fourth Middle East trip, but neither side listened to him. Questions remain: Have the sides involved in the Middle East conflict not changed? Will they remain unchanged forever?

Dukakis' Running Mate 'Dilemma' Explored *HK2806121388 Beijing RENMIN RIBAO in Chinese* 25 Jun 88 p 6

[Article by RENMIN RIBAO reporter Zhang Yunwen (1728 0336 2429): "Dukakis in Dilemma"]

[Text] A spectacular private meeting was held between Michael Dukakis and Jesse Jackson, both Democratic Party presidential candidates, in Los Angeles on 21 June. Later, the two men admitted to having discussed, among other issues, the voting regulations for delegates to next month's Democratic Party convention, the party's political platform, and the question of the party's vice presidential candidate.

This was the third meeting between the two Democratic Party candidates, but the first time that they revealed having discussed the central issue of interest to the media—the question of the Democratic Party's vice presidential candidate.

At the conclusion of the primaries in early June, Dukakis' nomination as the Democratic Party's presidential candidate was a foregone conclusion. The next question is his choice of a running mate.

Jackson placed second to Dukakis during the primaries. In recent weeks, he has frequently spoken on the issue of the vice presidential candidacy, revealing his interest in the role. He believes that he should be given "serious consideration," owing to his exemplary performance in the primaries. But when reporters asked him whether he would accept a Dukakis invitation to be his running mate, Jackson indicated that he still had to make a final decision.

According to reports, Jackson on 15 June met on Capitol Hill with leading black congressmen. Eighteen of the 23 black congressmen maintained that Jackson should be named the Democratic Party's vice presidential candidate; failure to do so would infuriate countless black voters.

Dukakis' campaign team has been extremely cautious in its search for a vice presidential candidate, hinting only that "no one is included or excluded." However, political analysts believe that the possibility of Dukakis picking Jackson as his running mate is extremely small. They argue that as a representative of the northeastern Democratic liberals, Dukakis needs a running mate from the South who is acceptable to conservatives in the Democratic Party if he is to win the presidential elections. As it is, Jackson's political stance is even more radical than that of Dukakis. History has shown that a ticket composed of two liberals would definitely lose conservative Democrat votes in the South.

The media have noted that Jackson's speeches indicating his interest in the vice presidency have aroused enthusiasm and expectations among black voters. Jackson won more than 7 million votes in the primaries, double his winnings in 1984. In addition, the number of white voters who support him is more than twice that of 4 years ago, while his share of delegates is 1,200, or one-third of the entire number of delegates. Consequently, Jackson has repeatedly stressed that whether he is seriously considered for the vice presidency is a question of attitude toward the 7 million voters who voted for him. This has thus posed a problem for Dukakis. If he agrees to have Jackson as his running mate, he is certain to lose the support of millions of conservative voters. On the other hand, discarding Jackson would cost him a sizable number of black votes.

It has been more than a week since Dukakis embarked on the search for a running mate. His principal aides have interviewed leading Democratic Party personalities in and out of Washington to solicit opinions on the choice of a vice presidential candidate. At the same time, they have also conducted opinion polls. Regardless of when and how Dukakis makes his decision, the question has become the thorniest one he has faced since he began campaigning. And he must come up with a choice before next month's Democratic Party convention in Atlanta.

Sino-Canadian Economic Cooperation Talks Held
*OW2906023788 Beijing Domestic Service
in Mandarin 1500 GMT 20 Jun 88*

[Text] Zheng Tuobin, minister of foreign economic relations and trade, met with (Chartnani), chairman of the Canadian Finance Commission, on the afternoon of 20 June to discuss the development of Sino-Canadian economic and technological cooperation and trade. A summary of the talks was signed by both sides.

Soviet Union

LIAOWANG Comments on Soviet Political Reform
*HK2806084788 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 25, 20 Jun 88 p 28*

[Article by Zhao Longgeng (6392 7893 1649): "The Overall Conception of Reform of the Soviet Political Structure—Comment on the 'Outline' Adopted at the May Plenary Session of the CPSU Central Committee"]

[Text] The May plenary session of the CPSU Central Committee adopted a "Draft Outline Submitted by the CPSU Central Committee to the 19th All-Union Communist Party Conference" (called the "Outline" for short). This is a programmatic document for deepening Soviet reforms, in particular, its political structural reform. The Soviet Union made public the "Outline" on 26 May for national discussion.

Since Mikhail Gorbachev came to power, he has continuously promoted the process of reform. The plenary session of the CPSU Central Committee held in April of 1985 and its 27th national congress adopted the principle of speeding up the development of the socialist economy. The June 1987 plenary session adopted the "Basic Principles for Thoroughly Reforming Economic Management" and the "State-owned Enterprise Law" and raised the question of how to carry out economic reforms. The "Outline" adopted by the current May plenary session advanced the overall conception of political restructuring. This shows that the Soviet political structural reform will move from the stage of media preparation or partial implementation to the stage of overall implementation and, at the same time, it also indicates that the Soviet reforms will move to a new stage.

The "Outline" points out: The purpose of the Soviet political structural reform is to enable the broad masses of the working people to actually participate in the management of all state and social affairs and to complete the establishment of a state with socialist legal systems; through reform, to enable Soviet society's political structure to be free from all phenomena such as the consequences of personality cults, reliance on administrative orders and fiat in management, bureaucratic practices, the distancing of working people from political power, and the violation of Lenin's norms for inner-party life and state life; and to enable Soviet society's political system to become a system full of vitality and capable of promptly renovating domestic life and international life in the light of changed conditions.

With a review and analysis of the "Outline," we can see that the tentative ideas for Soviet political restructuring embody the four following principles:

1. The principle of separation of powers. Among other things, a clear distinction will be made between the functions of the party and those of the government and the practice of the party arrogating all powers to itself will be discarded. The "Outline" maintains: The past practices of party organs monopolizing the affairs of the soviet and other state organs and directly managing the economy and attending to routine administrative work have weakened the party's political and ideological influence, thus intensifying problems in social development. In the days ahead, the party should handle party affairs and its functions are to devise theories and strategies for social development, to formulate domestic and foreign policies, to advance ideology to rejuvenate socialism, to conduct political and organizational work among the masses, and to educate and assign cadres. Party organizations at all levels should act within the limits permitted by the Soviet Constitution and Soviet law and shall not directly issue orders to state organs, economic institutions, and social organizations, and basic-level party organizations should not replace laboring collectives and their organs in discharging the functions they are obliged to undertake as prescribed by law. Real full powers should be handed over to the soviets so that they can examine and solve all concrete problems in state life as well as economic, social, and cultural life.

Then there is local separation of powers. In view of the longstanding incorrect practices of a high degree of centralization of authority and of violating the democratic rights of localities and minority nationalities, the "Outline" stresses that management power in many fields of endeavor should be delegated to local authorities in the full sense and that the various clauses in the Soviet Constitution and various Soviet legal provisions concerning the protection of the rights of minority nationalities should be strictly enforced.

2. The principle of democracy. The essence of the Soviet political structural reform is social democratization. To further promote the democratization process, the

"Outline" has worked out several measures, of which the most important is to revise the election system. It is stipulated that real competition and voting for candidates by broad discussion and secret ballot should become standard for elections at the basic and central levels; that any individual's service in party and state leadership posts is limited to a maximum of two terms or 10 years; and that office-holders may win a third term if their names are put forward by party members or soviet representatives and there is a decision made in advance on allowing them to participate in elections and if they receive no less than three-fourths of the votes cast by members of the party committee or representatives of the soviets concerned. People still remember that the Constitution adopted by the 22d CPSU National Congress stipulated that members of the CPSU Politburo could serve a maximum of three consecutive terms and that certain party activists could be consecutively elected to leadership organs on a longer-term basis. It can thus be seen that there has been a marked improvement in the election system. In addition, the "Outline" also stipulates that the collective leadership system of the Central Committee should be strengthened to guard against an individual monopolizing power; stresses that major problems concerning the implementation of the party's political principles should be resolved through extensive discussions at meetings attended by all members of the Central Committee; calls for greater openness in the activities of the soviets and free access of citizens and journalists to soviet meetings; and defines that the role of social organizations in policy-making should be strengthened and that they should have their representatives in government organs and become "the state's partners" in realizing social plans and solving problems in such areas as housing construction, health protection, labor, social insurance, public utilities, commerce, and everyday life.

3. The principle of the legal system. The "Outline" points out that one important aspect of the reform of the political structure is to firmly uproot the management method of making arbitrary decisions and the distorted and deformed phenomena in the building of the legal system brought about as a consequence of departing from Leninist principles on state life and to stress completing the establishment of "a state based on a legal system" in the course of democratization. The characteristics of a state based on a legal system are that laws, which embody the will of the people, occupy a dominant position and that they are enforced and that state and party organs, social organizations, laboring collectives, and all public employees should act according to strict laws. The main measures for building a state based on a legal system are 1) to conduct major legal reforms, to thoroughly strengthen the role of judicial organs, to strictly follow the democratic principles governing the procedures of litigation and the principle of ensuring equal and open debate among the parties concerned and ensuring that defendants are presumed innocent until proved guilty; 2) to ensure that procuratorial organs effectively supervise the enforcement of the universally applied laws; 3) to enhance the sense of responsibility of

the people's police in checking criminal activities and actions sabotaging social order; 4) to increase the possibility of the state acting as an arbitrator and boost lawyers' initiative; 5) to energetically develop the legal departments of the national economy and conduct education in general knowledge about the law among citizens; and 6) to discard outmoded laws and numerous departmental directives, to enact new laws, and to allow all things to be done that are not banned by the law in reforming legislation work.

4. The principle of supervision. The "Outline" points out that in carrying out reform and social democratization, it is necessary to fully realize Lenin's advocacy of organizational supervision so that supervision will become an effective tool through which the workers, peasants, intellectuals, and representatives of all sectors of society directly participate in managing and deciding state and social affairs. The "Outline" lays particular stress on the supervision by the soviets of the executive organs. It was very common in the past that state functionaries became representatives of the soviets. This state of affairs is detrimental to the supervision by the soviets of state administrative organs and public employees. Now it is stipulated that all administrative personnel obliged to submit work reports to the soviets, members of the republic councils of ministers, members of the Soviet Government, judges, state arbitrators, and chief procurators shall not be simultaneously representatives of the soviets.

After summing up the experience of and pondering the reform over the last 3 years, the CPSU Central Committee reached this conclusion: It is necessary to reform the Soviet political structure. It is true that if the proposition for the reform of the Soviet political structure with the four above-mentioned principles as the main content is implemented successfully, this will no doubt help smash the "obstructive mechanisms," put an end to the situation characterized by "social indifference" and "intellectual reliance," bring into play people's initiative, and help further promote the reform of the economic structure, but the reform of the political structure is very sensitive and difficult and even involves risks. Moreover, the reform of the economic structure is confronted by numerous difficulties and obstructions. Therefore, it can be anticipated that the Soviet Union will move ahead with its reforms with difficulty.

Gorbachev Reports to National Party Conference

Notes Economy's 'Gradual Pick Up'

OW2806105888 Beijing XINHUA in English
1017 GMT 28 Jun 88

[Text] Moscow, June 28 (XINHUA)—The economic growth in the Soviet Union is showing a "gradual pick up" and a radical economic reform is just beginning, Soviet leader Mikhail Gorbachev said here today.

In his report at the first session of the 19th national party conference which opened this morning, the Soviet leader described the past three years since he assumed office in the Kremlin as a "crucial" period, during which the country succeeded in stopping its sliding down to a crisis in various spheres.

The economy is gradually picking up speed, but the change is slow, he indicated. The slow progress was attributed to the underestimation of the "entire depth and seriousness of the deformations and stagnation of the past years," he said.

The improvements in food supply are not satisfactory, he pointed out. He suggested that the shortest and reliable road to a settlement of this problem is the extensive introduction of effective forms based on lease and contract.

He said that radical economic reform is only beginning and new economic management methods are just being mastered. Not all the elements of reform are yet in place. The present five-year plan was drawn up in old, pre-reform conditions. Therefore, difficulties arose from the old stereotypes of economic management, the striving to preserve the customary command-and-administer methods and resistance to change.

There have been attempts to distort the substance of reform and fill new forms of administration with old contents, he admitted.

He announced that all enterprises in material production will be switched to the new system of economic management from the beginning of next year.

He also mentioned that the lack of pricing reform is a major stumbling block seriously complicating the economic reform. The issue is being carefully studied, he said, and a possible change is: The funds the government now spends as subsidies will be completely given to the population in the form of compensation.

Proposes Political Reforms

OW2806123588 Beijing XINHUA in English
1152 GMT 28 Jun 88

[Text] Moscow, June 28 (XINHUA)—Soviet leader Mikhail Gorbachev today proposed creating the position of president of the USSR Supreme Soviet, who will have broader powers like those enjoyed by the head of state.

In a package of proposals submitted to the party conference which opened here this morning, Gorbachev outlined a sweeping reform of the country's present political system.

Among other things, he recommended the creation of a new supreme body—the Congress of People's Deputies, comprising 2,250 MP's elected every five years. The congress would meet once a year to handle the most important constitutional, political, social and economic issues.

The congress would elect from among its members a standing body of highest authority—the Supreme Soviet with 400 to 450 members, which further breaks down into two houses.

The Supreme Soviet would be headed by a president to be elected and recalled by secret ballot by the congress, he suggested.

He explained that the new post of the Supreme Soviet's president would differ from that of president of the presidium of the country's Supreme Soviet. The new president would handle key issues of domestic and foreign policy and the nation's defence, head the Defence Council and submit the candidate to head the government. The presidium of the Soviet Supreme [as received] would then work under the Supreme Soviet president.

According to the package solution, similar posts as chairmen of the Soviets (local parliaments) would also be instituted in the local bodies of government and that these posts would be taken by the first secretaries of corresponding party committees. [sentence as received]

To delimit powers between elected and executive bodies, it is recommended that members of the executive committees of the soviets, heads of their departments and sections should not serve as deputies of the particular soviet. The same principle would applied to judges, prosecutors and arbitrators, and at the level of the USSR, union and autonomous republics, to members of the government and heads of departments.

Gorbachev described the political reform as a most important guarantee of continuing reform. "If the political system remains immobile, unchanged, we shall not cope with the tasks of perestroika," he stressed.

On Separation of Party, State

OW2806170988 Beijing XINHUA in English
1531 28 Jun 88

[Text] Moscow, June 28 (XINHUA)—Soviet leader Mikhail Gorbachev today called for a clear demarcation of functions between party and state bodies in the country.

The reform of the political system and the success of perestroika (restructuring) as a whole depends on the solution of this problem, he said.

Speaking at the opening session of the Soviet party conference, Gorbachev quoted Lenin as saying that there was the need "to delimit much more precisely the functions of the party from those of soviet government."

He promised that the party Central Committee and the Politburo would take the lead in solving the problem. They should act as organs of political leadership, and everything that the Supreme Soviet and the Council of Ministers should do should be done by them, he said.

In his report, Gorbachev cited two conflicting suggestions as regards the relationship between the top party and government posts. Some believe, he said, it is proper for the leader of the party to be simultaneously the head of government and others regard the situation where the party general secretary in fact acts as the country's top official as running counter to the rule-of-law concept.

All party organizations should strictly comply with the constitution and laws and the practice of party committees adopting resolutions containing directives to state or economic bodies should not be continued, he said.

He proposed restructuring the party central committee apparatus into branch departments and reducing its size.

The Soviet Party Central Committee has now under it nearly 30 departments, with many of them duplicating those of the central government.

He announced the work to streamline the structure of management and administration has begun at all levels. The apparatus of union-level departments is being reduced by 40 percent, the staff in union republics is being halved and that in autonomous republics, territories and regions, cut by one third.

This process has met with "painful snags and resistance," he said, and the people are criticising the party and government for the slow pace of the effort.

On Expansion of Human Rights

*OW2806184088 Beijing XINHUA in English
1803 28 Jun 88*

[Text] Moscow, June 28 (XINHUA)—Soviet leader Mikhail Gorbachev today called for greater but limited human rights in the Soviet Union, including rights of citizens' private lives and religious beliefs, the official Soviet news agency TASS reported.

In a keynote speech opening the 19th Communist Party conference at the Kremlin, Gorbachev spoke of the importance of exercising political freedoms which allow the individual to express opinions on any issue.

The general secretary said his country's perestroika (reforms) "will help reveal the indisputable advantages of socialism in safeguarding human rights—social, political and individual."

"The entire law-and-order structure of ours is called upon to guarantee strict observance of the citizens' rights to the inviolability of private life and the home, privacy of correspondence, postal and telegraph messages," he said.

In the four-hour speech to 5,000 delegates, the Kremlin chief also said "all believers, irrespective of their faith, are equal citizens of the USSR."

The Soviet Union's 70-year-old decree on separation of church and state, and schools from churches, created new foundations for relations between them, Gorbachev said. He added that a draft law on freedom of conscience, now being developed, is based on Leninist principles and takes into account all present-day realities.

However, the Soviet leader denounced the attempts to use democratic rights for anti-democratic purposes, saying "Some think that any questions—from the recarving of borders to the establishment of opposition parties—can be resolved" through glasnost, his policy of greater openness, TASS reported.

"We firmly intend to enrich the rights of the individual precisely on the socialist ground, acting within the framework and using the methods that meet the nature of our system," TASS quoted Gorbachev as saying.

On Ethnic Conflicts

*OW2806170588 Beijing XINHUA in English
1437 GMT 28 Jun 88*

[Text] Moscow, June 28 (XINHUA)—Soviet leader Mikhail Gorbachev said today that ethnic problems will be taken up at the 19th party conference and inter-ethnic conflicts can be only be settled within the existing state structure of the Soviet Union.

"In our specific situation, any other approach is simply impossible, and any attempt at moving in a different direction would lead to distaste," Gorbachev told the conference which opened here this morning.

Disturbances arising from strained inter-ethnic relations have been reported by the Soviet press in the past two years from some parts of the Soviet Union, which has over 100 ethnic groups. Groups of Crimean Tatars demonstrated in Moscow last summer to press for the restoration of the Crimean Tatar Autonomous republic. The parliament of Armenia adopted earlier this month a resolution accepting the transfer of Azerbaijan's Nagorno-Karabakh Region to Armenia while Azerbaijan refused to cede the region.

Gorbachev said that the party Central Committee plans to devote a special meeting to take up the inter-ethnic relations. "But since this subject is extremely important and topical, we should discuss it right now, at this conference."

The Soviet leader said that the country should do its utmost to protect and ensure Soviet people's brotherhood and friendship. "There is simply no other way, no other rational alternative," he said.

He said that the new situation in the country is likely to call for a more precise definition of the status, rights and duties of union and autonomous republics and other ethnic entities.

The Soviet leader stressed the need to strengthen the unity of all nationalities, noting that this point should receive a special emphasis in the party conference's resolution on improving inter-ethnic relations.

Gorbachev's speech indicated that the Soviet leadership will not agree to those demands such as the restoration of the Tatar Crimean Autonomous Republic and the transfer of the Nagorno-Karabakh Region from Azerbaijan to Armenia.

Views Foreign Policy Trends

OW2806120388 Beijing XINHUA in English
1126 GMT 28 Jun 88

[Text] Moscow, June 28 (XINHUA)—Soviet leader Mikhail Gorbachev said today the command and administrative methods did not bypass the Soviet foreign policy under the former leadership.

It happened that even the most important decisions were adopted by a narrow circle of persons, without a collective and all-round study and analysis, and sometimes also without a proper consultation with friends, Gorbachev said.

This resulted in an inadequate reaction to international events and the policy of other states, and sometimes in mistaken decisions, he said in his report to the party conference.

The Soviet leader added that the price for the people or the possible outcome of some variant of action was not always weighed.

Although Gorbachev did not specify what these actions are, some Soviet scholars have noted recently that the deployment of SS-20 missiles in Europe in the 1970s and the intervention in Afghanistan were prompted by an overestimation of the Soviet military capacity. A total of 13,310 Soviet troops have been killed and 35,478 others wounded in Afghanistan in the past nine years.

Gorbachev said new political thinking, whose foundations were laid by the 27th party congress in March 1986, was required for the resolute renewal of the Soviet foreign policy.

The new political thinking has made the Soviet Union advance a whole number of major disarmament initiatives, Gorbachev said.

When he spoke of Soviet troop withdrawal from Afghanistan, the conference hall burst into loud applause.

Speaking about trends in the world's development on the threshold of the 20th-21st centuries, Gorbachev believed that the states will be "motivated by gradual demilitarization and humanization of international relations."

Delegates Praise Gorbachev's Keynote Speech

OW2806171288 Beijing XINHUA in English
1455 28 Jun 88

[Text] Moscow, June 28 (XINHUA)—Soviet leader Mikhail Gorbachev got several rounds of applause from delegates as he delivered the keynote address to the 19th Soviet Communist Party conference that opened here today inside the Kremlin.

Outside the Kremlin meeting hall, a gathering of citizens handed in letters that spoke of their high expectations for the national conference meeting.

"We are convinced that perestroika will help reveal the indisputable advantages of socialism in safeguarding all human rights—social, political and individual," Gorbachev told the 5,000 delegates who came from throughout the Soviet Union for this special party conference, the first in 47 years.

The conference hall burst into its first loud applause during the Soviet general secretary's four-hour speech when he hailed the Soviet troop withdrawal from Afghanistan.

He got a second hearty round of applause from the delegates when he criticized some proposals to start opposition parties and change internal boundaries in the country. "Some think that any questions—from the recarving of borders to the establishment of opposition parties—can be resolved in this way," the Soviet leader said of attempts to use democratic rights for anti-democratic purposes.

When Gorbachev offered a different program to reform the country's political structure, some delegates nodded and others shook their heads, lending an indication of the heated debate that may occur during the conference discussions of the general secretary's report.

Outside the Kremlin, officials and citizens gathered, handing in letters which reportedly carried high expectations for the outcome of the crucial party conference.

According to reports in today's edition of the Soviet newspaper "PRAVDA," the Soviet Government has received more than one million letters from citizens and met with 35,000 people this year to discuss their opinions. These days such letters average 8,000 per day.

"PRAVDA" said in an editorial that people should not expect "a miracle" from the present meeting, and stated that "not all problems can be solved by the current party conference."

Conference Considers Supreme Soviet Presidency
OW2906011688 Beijing XINHUA in English
0031 GMT 29 Jun 88

[Text] Moscow, June 28 (XINHUA)—A Senior Soviet party official today declined to predict who would assume the presidency of the Supreme Soviet, a new post proposed by Soviet leader Mikhail Gorbachev.

Asked at a press conference this evening whether the general secretary of the party would also become the president of the Supreme Soviet, Aleksandr Yakovlev, Politburo member and Central Committee secretary, said if the party conference supports the proposal, the deputies of the congress can elect anybody by secret ballot.

According to the Gorbachev proposal submitted to the 19th Party Conference this morning, the president of the country's Supreme Soviet, to be elected by a congress of people's deputies, would have "broad powers equivalent to those of a head of state."

To say in advance or to predict what is going to happen would be "very presumptuous," especially now at a time of "very turbulent democratization" in the country, Yakovlev said.

He refused to say whether the general secretary would be eligible for the presidency and if there would be competition.

"That's guess work. I do not favor prophecy of any sort. We'll wait and see," he said.

In his report today, Gorbachev mentioned some public suggestions, an allusion which may be of significance.

Some people believe, Gorbachev said, it is proper for the leader of the party to be simultaneously the head of government, and others regard the situation, where the party general secretary in fact acts as the country's top official, to be running counter to the rule-of-law concept.

Soviet Academician Criticizes Gorbachev Proposal
OW2906010288 Beijing XINHUA in English
0030 GMT 29 Jun 88

[Text] Moscow, June 28 (XINHUA)—Soviet academician Leonid Abalkin today expressed his "serious doubt" over the suggestion that party chiefs should concurrently serve as chairmen of soviets (councils).

The idea was proposed by Soviet party General Secretary Mikhail Gorbachev in his report to the 19th Party Conference today.

According to a TASS report on the discussion at the conference this afternoon, Abalkin, director of the Institute of Economics of the Soviet Academy of Sciences, said in his speech that voters will not have to choose among several contestants when there is only one candidate for the post of chairman, since there is only one first secretary.

He also argued that the new idea would hardly fit into the concept of delimiting the functions of party and government bodies. Many delegates applauded after Abalkin commented on the proposal.

No Personnel Changes Expected at CPSU Conference
OW2906012288 Beijing XINHUA in English
0046 GMT 29 Jun 88

[Text] Moscow, June 28 (XINHUA)—Soviet Politburo member Aleksandr Yakovlev predicted today that no personnel changes will be made at the 19th Party Conference.

In a press conference, Yakovlev stressed the importance of glasnost (openness) in Soviet reform, saying that "without glasnost, there will be no reform, democracy or socialism."

The party, he said, should remain the political "avant-garde" in directing economic, social and cadre policy instead of engaging in industrial and agricultural management.

The other governing functions should be given to government bodies, he added.

Yakovlev said that conservatism is one of the main causes which slowed down the speed and efficiency of the reform.

When asked whether Soviet leader Mikhail Gorbachev would revise his report to the party conference under the pressure of conservatives, Yakovlev said that the question should be answered by Gorbachev.

But he said that the Political Bureau discussed the report eight days before the conference.

When asked whether the party general secretary would concurrently act as the president of the Supreme Soviet, a new post proposed by Gorbachev, Yakovlev said the president of the country's Supreme Soviet should be elected by a congress of people's deputies through secret ballots.

Commentary Calls CPSU Conference 'Milestone'
OW2806183488 Beijing XINHUA in English
1750 28 Jun 88

["Commentary: Important Milestone in Soviet Reform
(by Wang Chongjie)"]—XINHUA headline]

[Text] Beijing, June 28 (XINHUA)—The 19th all-union conference of the Soviet Communist Party opening here today is an important milestone in the process of reform in the Soviet Union.

Since the plenary session of the party Central Committee in April 1985 and the 27th Party Congress in February 1986, reform, now a major trend in Soviet society, has pounded at the Soviet economy stagnant for decades.

Over the past three years, the party has extended the scope of openness, further developed socialist democracy, encouraged criticism and self-criticism, analyzed experience and lessons of all periods since the founding of the Union of Soviet Socialist Republics, criticized theories divorced from reality, attacked rigid economic and political molds, and exposed power abuses, corruption, stagnation and crises.

The necessity and urgency of reform have been recognized.

With the opening up of mind, reform has found its way step by step into all fields of social life but met with great difficulties, resistance and contradictions in an acute struggle.

Bureaucracy, dogmatism and conservatism are deep-rooted; so are old economic and political structures. Problems piled up over the years are hard nuts to crack.

Facing such a complicated situation, the party has to decide whether to push the reform forward or let it fall through as in the 1950s and 1960s.

At heated debates among the Soviet people in the first half of this year, the program for the current conference passed at the May 23 plenary session of the party Central Committee and nationwide discussions of the program have proved that a call for a deeper-going reform has become the main stream.

The scope of reform has been expanded in the economic sector. New laws for state-owned enterprises, cooperatives and individual laborers have come into effect. Effective measures have been taken to adjust the economic structure and speed up progress in science and technology.

These efforts have helped avoid the danger of an economic crisis in the 1970s and early 1980s, and given impetus to the national economy.

However, chronic maladies in the economy still exist and there is a shortage of commodities on markets. The ordinary Soviets have not benefitted much from the reform.

The reasons are that the reform is still in the initial stage, the new economic mechanism has not come into full play, and the old economic mechanism, coupled with the red tape of departments in charge, has almost devitalized the reform measures.

How to solve these problems? The program for the conference stresses that the major task for the years to come is a quicker comprehensive reform of the entire economic mechanism, including pricing, loan and material supply.

In the meantime, food and daily necessity supplies must be improved in a short period of time so that people can feel the results of reform directly.

To ensure a smooth reform in all fields, the party Central Committee concludes that political restructuring, aimed to let people participate in state and social affairs and build the Soviet Union into a legally valid socialist country, is of great importance.

Political restructuring is also aimed to get rid of such phenomena as personality cult, bureaucracy and non-participation of people in state power by differentiating party work from that of the government, limiting the term of office of party and government leaders at all levels and perfecting the legal system.

Apparently, this will be a very complicated and arduous process of struggle.

It has been noticed that the program for the conference admits "dogmatism and subjectivism" in the country's foreign policy, which "did not fully reflect possibilities for detente of the tense situation," "involved the country into the arms race" and would inevitably affect social and economic development as well as the country's international status.

"New thinking has become the basis of the country's foreign policy," the program says. People will wait and see how, with the deepening of reform, Soviet foreign policy will change."

Reform in the Soviet Union is a trend of the time and the desire of the people. There are signs that the current party conference will ensure and promote reform in all fields by putting stress on political restructuring.

Northeast Asia

Japanese Expelled for Entering Banned Areas

HK2806133888 Hong Kong AFP in English
1319 GMT 28 Jun 88

[Text] Beijing, June 28 (AFP)—A Japanese tourist has been expelled from China for cycling on several occasions into areas banned to foreigners, the LEGAL DAILY said Tuesday.

The tourist, a Tokyo law student identified by the Chinese name Youchen Wenxiong, was detained for three days in February by the police in Kunming, capital of Yunnan province bordering Vietnam, the paper said.

He had already been fined twice for entering closed districts of the province, which is popular with tourists and is home to many ethnic minorities, the paper said.

The student was given seven days in which to leave China and had his bicycle and film confiscated.

Another Japanese student was fined 100 yuan (27 dollars) for similar reasons in March, said the paper, adding that an appeal by him had been rejected.

The paper gave no indication as to why the expulsions had not been announced earlier.

Several hundred Chinese towns and districts are open to foreigners but others are out of bounds.

Japan Urged To Open Up Construction Market

HK2906015288 Beijing CHINA DAILY in English
29 Jun 88 p 2

[By staff reporters Zhang Yu'an and Wang Xiangwei]

[Text] China is urging the Japanese Government to allow Chinese construction companies to participate in contracting for construction projects in Japan.

Chinese foreign trade officials have become impatient and unhappy about Japan's hesitation to permit Chinese construction companies into Japan while a stream of Japanese construction contractors have worked on a number of projects here, CHINA DAILY has learned.

The huge Japanese construction project contracting market has been opened to the American and South Korean construction contractors, yet it still closes its door to Chinese companies. This is really unfair," a commentary in the Chinese newspaper INTERNATIONAL BUSINESS pointed out.

And moreover, Chinese officials said, Japan, China's number one trading partner, still maintains a surplus as high as \$3.7 billion in its trade with China. They said if Japan could let the Chinese contractors into its construction market, it would definitely be helpful for China to reduce the deficit.

At present, two major Chinese project contracting companies have applied to the Japanese authorities for permission to bid on two key Japanese projects—a highway and an international airport. Many Japanese companies and banks have reportedly expressed their willingness to co-operate with the Chinese companies.

However, a question mark still hangs over the slim possibility of Japan allowing the two companies in because the Japanese side considers the Chinese construction companies still lack experience and a reputation in the global construction contracting markets, the newspaper said.

The China State Construction Engineering Corporation and the China Civil Engineering Corporation who have applied permission to bid in Japan are experienced firms and have good reputations on the world contract projects markets, according to the newspaper.

To put pressure on the Japanese Government, a senior official from the Chinese Ministry of Foreign Economic Relations and Trade met twice with a senior official from the Japanese Embassy in Beijing, urging the Japanese side to be fair in its treatment of China.

The Japanese official reportedly replied that its markets for construction are open to foreign construction contractors. He cited the Japanese laws as saying any foreign companies that want to do business in Japan are allowed to contract for ordinary construction projects provided they get approval from and register with the departments concerned in Japan.

He said as for the public construction facilities wholly funded by the Japanese Government, only the companies that have made achievements in Japan could be selected for bidding, according to the newspaper.

The Chinese officials said only if the Japanese Government allows Chinese companies to enter the Japanese market will they possibly be able to make achievements.

Thus he said he hopes Japan could provide Chinese companies with the convenience of approving their applications as quickly as possible to promote the further development of Sino-Japanese economic relations.

In fact, the construction companies in both countries have been co-operating for some time in certain projects and have done well. But the projects contracted jointly by Chinese and Japanese companies are mainly in a third country or in China, the official said.

Commentary on Japan's Defense Expenditure
HK2906020788 Beijing JIEFANGJUN BAO in Chinese
18 Jun 88 p 4

["Weekly Commentary" by Dongfang Tie (2639 2455 6993): "Danger Behind 'Cherry Blossom Prosperity'"]

[Text] Recently, Japanese newspapers often mentioned the appearance of the "cherry blossom prosperity" in the domestic financial and industrial fields. The "cherry blossom" is the symbol of the Japanese Army. When the economic animal bears the "cherry blossom," the situation is most worrying and people must on the alert.

After Japan's defense expenditure broke through the limit of accounting for only 1 percent of the country's GNP, the international mass media were worried that the substantial increase in the military orders and the high profits from the production of military goods may stimulate the rapid growth in Japan's military industry. Now such a situation is in the offing.

On 7 June, the economic association, which is greatly influential in Japan's economic circles, decided to establish a "Japan Security Research Society." The entrepreneurs did not plan to "generally" discuss the security issue; instead, they are going to study the way to make profits through military production. In fact, before that, the Japanese newspapers reported that in more than 1 year after the defense expenditure broke through the 1 percent limit, the official members of the Japanese War Industrial Association increased from 14 companies to 113 companies. This rapid increase even startled the chairman of this association, which was established in "an era when it was hard to use the word 'weapon' in people's speeches." In the past, the Japanese business circles always tried to avoid being involved in the making of the defense policy; however, the entrepreneurs are now highly interested in the military industry. This makes people feel that the situation has completely changed.

The appearance of the "cherry blossom prosperity" is not an accident. Politically, this is an inevitable result of the Japan's defense expenditure breaking through the 1 percent limit. This not only removed a major obstacle to the development of the military industry; more importantly, this gave out a signal of leading the economic and technological strength into the military field. When the Japanese entrepreneurs decided to involve themselves in the defense issue, the head of the defense agency of the Japanese Government announced on 11 June that "Japan should be willing to spend money on defense." The Japanese mass media hold that this official in fact advocated that Japan should not lay down any limits on defense expenditure. This official also claimed that his "most important duty" is to get more money. His remarks were directed at the businessmen, because most of the defense expenditure will flow into the purse of the entrepreneurs. If the breakthrough of the 1 percent limit

made a breach in the course of arms expansion in Japan, then a real large-scale arms expansion wave will be stirred up with the participation of many Japanese big business groups.

The "cherry blossom prosperity" not only appeared under the influence of the political climate, but also had suitable soil. First, the profits in military industry are extremely high. According to some Japanese newspapers, the profit rate of some arms producing enterprises can be as high as 12 to 13 percent, but they only admitted a 4 percent profit rate when talking to the outsiders. When these enterprises sell their products to the defense agency, the price can be much higher than to other users. Second, the military orders are rather stable, and will increase along with the increase in the defense budget. So the business risks for the military industry are comparatively low. The arms producers can also achieve "the most advanced technologies" from the government. In addition, they can use the military products to expand their overseas markets. Such "bright" prospects make the military industry rapidly grow out of proportion. This will in turn influence Japan's politics and turn some people's idea of "placing no limit on the defense budget" into a reality. Once the powerful enterprises are fully involved in the handling of the defense affairs, it will be hard to tell how far Japan will go in expanding its armaments.

This tendency in the Japanese economic circles has made many Asian and Pacific countries highly alert. Singapore Prime Minister Lee Kuan Yew said that Japan sharing the defense burdens of the United States is not a matter of the United States' hope. "This will become a stern fact within 15 years." Australian Prime Minister Hawke said: "We are seriously concerned with what methods Japan will use to continue to raise its defense level." Former U.S. secretary of defense MacNamara said that "Japan will make a major mistake" if it continues to increase its defense budget.

All these worries are not uncalled-for. Before World War II, the militarization of Japan's industry and economy drove Japan onto the road of militarism, and led to its defeat in the war. Japan must not follow the same disastrous road and must not repeat the same historic errors. Japan must give deep thought to this issue when making a historical selection.

'Commentary' on Uno's Visit to Israel
NC2906082088 Beijing in Persian to Iran
1800 GMT 24 Jun 88

[Unattributed commentary]

[Text] Japanese Foreign Minister Sosuke Uno has embarked on a tour of Syria, Libya, Egypt, and Israel on 22 June after participating in the seven-nation Western summit conference. The Japanese foreign minister's Middle East tour, especially his visit to Israel, has elicited immense attention. He is the first Japanese

cabinet member to visit Israel since the Second World War! This reflects very sensitive and delicate developments, and their (?effects) on Japanese foreign policy.

Japan established diplomatic relations with Israel in 1952, and after a lapse of 36 years has finally sent a cabinet minister on an official visit to Israel. Observers speculate that this indicates certain (?changes).

First, Japan is currently showing a tendency toward progress through widening and deepening its diplomatic affairs. [word indistinct] following the commencement of the departure of the Soviet armed forces from Afghanistan, Japan is now focusing its primary attention on the conflicts involving the Palestinian issue, the Iran-Iraq war, and Kampuchea.

Second, following its evolution as a major economic country, over the past few years Japan has also created a clear (?image) of a major political power [words indistinct] as its major political objective.

Third, the aim of Sosuke Uno's visit to Israel is to implement a program of improved relations, which had been [words indistinct] for a long time. In the Middle East region, Japan is trying to (?flaunt) its policy of neutrality and follow a moderate policy. In order to protect its oil interests, Japan has chosen a policy supporting the Arab nations and [words indistinct] to placate the United States as well as to ensure its own interests, it is now expanding relations with Israel.

The Japanese foreign minister's visit to Israel [words indistinct] is not, on any account, a change in Japan's policy in the Middle East. However, the Arab nations have numerous doubts about the intentions and outcome of this visit.

Kim Il-song's Message of Thanks to PRC Leaders
SK2806064888 *Pyongyang Domestic Service in Korean*
2100 GMT 26 Jun 88

[Message of thanks from Kim Il-song, general secretary of the WPK Central Committee and president of the DPRK, on 26 June to party and state leaders of the PRC]

[Text] Beijing

Comrade Zhao Ziyang, general secretary of the CPC Central Committee,

Comrade Yang Shangkun, president of the PRC,

We are passing through the northeast region of your country on our way to the Mongolian People's Republic for a visit. Passing through the territory of your country, which is familiar to me, I extend fraternal greetings to you and, through you, to the CPC Central Committee, the PRC Government, and the Chinese people.

Chinese comrades accorded a warm welcome to us and provided us with all accommodations this time, too, as they have always done in the past.

Feeling the Chinese comrades' exceptional sense of intimacy with us, I express deep thanks to you for this.

Availing myself of this opportunity, I sincerely wish you and the Chinese people greater success in the struggle to implement the decisions of the 13th CPC Congress, to build socialism with Chinese characteristics, and to achieve the complete reunification of the country.

[Signed] Kim Il-song, general secretary of the WPK Central Committee and president of the DPRK

[Dated] 26 June 1988

DPRK Hopes To Normalize Relations With U.S.
OW2406203188 *Beijing XINHUA in English*
1729 GMT 24 Jun 88

[Text] Pyongyang, June 24 (XINHUA)—Korean President Kim Il-song said Thursday that Korea is willing to normalize relations with the United States if the U.S. withdraws its troops from South Korea and stops interfering in the internal affairs of Korea.

The Korean Central News Agency (KCNA) quoted Kim as saying that the responsibility of the present Korea-U.S. relationship rests on the U.S. Government. "If the U.S. troops withdraw from South Korea and if the United States Government refrains from interfering in the affairs of Korea, our people will settle the question of national reunification smoothly in accordance with their own will, and the cause of a possible war in Korea will disappear," Kim said.

Kim Il-song Comments

HK2806115788 *Beijing RENMIN RIBAO in Chinese*
25 Jun 88 p 6

[Dispatch by reporter Xu Baokang (1776 1405 1660): "Kim Il-song Reiterates Wish To Normalize Relations With the United States"]

[Text] Pyongyang, 24 Jun—Korean Party and state leader Kim Il-song has said: Korea is willing to normalize relations with the United States if it withdraws its troops from South Korea and stops interfering in the internal affairs of Korea.

Kim Il-song made this statement at a banquet held on 23 June welcoming Gus Hall, secretary general of the Communist Party of the United States of America. Kim Il-song said: The occupation of South Korea by U.S. troops and the division of Korea have not only brought endless agony and suffering to the South Korean people but also presented great obstacles to the socialist construction of the people in the North, thus delaying the unification and development of Korea.

Kim Il-song said: The Korean Party and Government have long suggested Korean-U.S. talks be held, but so far the United States has not yet given a response and even banned Americans from making contacts with us. This shows that the U.S. authorities have not yet abandoned their "two Koreas" policy and are still attempting to turn South Korea into a permanent U.S. military base.

Kim Il-song pointed out: The so-called "invasion threat of the South" is totally nonexistent.

DPRK Papers Attack U.S. Attitude in Korea
OW2806025888 Beijing XINHUA in English
0655 GMT 25 Jun 88

[Text] Pyongyang, June 25 (XINHUA)—"NODONG SINMUN," organ of the Central Committee of the Workers' Party of the Democratic People's Republic of Korea (DPRK), today condemned the United States and South Korean authorities for escalating the tense situation on the Korean peninsula and obstructing the reunification of the peninsula.

In an editorial coinciding with the conclusion of "Anti-American Struggle Month," the paper called on the Korean people to make efforts for an independent and peaceful reunification of their country.

The editorial reviewed the reasonable proposals put forward by the Workers' Party and Government of the DPRK for reunification and an easing of the tense situation on the peninsula. However, the editorial pointed out that the United States and the South Korean authorities have not responded to the openhearted proposals, but continue to deploy arms in South Korea and hold joint military exercises, causing the tense situation on the peninsula to further deteriorate.

The editorial demanded the withdrawal of U.S. troops from South Korea.

The Korean paper "MINJU CHOSON" also carried an editorial today on the occasion of the memorial month.

The above two papers carried signed articles yesterday written by four colonel-generals of the Korean People's Army for the same occasion.

The United States launched an aggressive war against Korea on June 25, 1950, and had to sign the armistice agreement of Korea on July 27, 1953, at the truce site of Panmunjom. Since the end of the Korean War, the DPRK has held activities every year in celebration of the "June 25-July 27 Joint Anti-American Struggle Month."

Southeast Asia & Pacific

Wu Xueqian Meets Indonesian Trade Delegation
BK2906094788 Beijing International Service
in Indonesian 0830 GMT 29 Jun 88

[Text] Vice Premier Wu Xueqian met with Dr Sukam-dani Sahid Gitosardjono, chairman of the Indonesian Chamber of Commerce and Industry [KADIN] and other prominent members of the visiting KADIN trade mission at Beijing's Zhongnanhai building this afternoon.

During the meeting, Wu Xueqian said he personally believes that if Sino-Indonesian relations are normalized, bilateral trade will be further boosted. In this connection, the PRC side has no problem as far as such normalization is concerned and if time is needed, the PRC can wait. The vice premier expressed his great pleasure at the growing direct trade between the PRC and Indonesia over the last 3 years.

The vice premier pointed out that, historically speaking, the two countries have cultivated traditional friendship. Both countries are now developing their respective national economies and implementing economic development. Therefore, it is important that the two countries should develop their economic and trade relations.

Vice Premier Wu Xueqian noted that to combat poverty and backwardness, the PRC Government has introduced structural changes and adopted an open-door policy. The vice premier also expressed the PRC's willingness to foster political, economic, trade, and technical cooperation with various countries in the world, including Indonesia. He noted that Indonesia is one of PRC's close neighbors. Therefore, the PRC places special emphasis on promoting friendly relations with Indonesia.

Vice Premier Wu Xueqian said that the China Council for the Promotion of International Trade [CCPIT] and the KADIN trade mission must have strengthened their mutual understanding after holding talks in the last few days. As for the issue of commodity examination by surveyor companies, the two sides have also reached a better understanding. The vice premier expressed confidence that the current visit of the KADIN trade mission will further foster friendly relations between the two countries.

Meanwhile, Dr Gitosardjono expressed the hope that the direct Sino-Indonesian trade link will be further strengthened. Dr Gitosardjono described the current KADIN visit as very effective, adding that he saw strong momentum in bilateral trade relations.

Dr Gitosardjono said he personally agreed with Vice Premier Wu Xueqian's personal views that if diplomatic relations between the two countries are normalized, direct trade between them will further prosper.

Also present during the meeting were Jia Shi, CCPIT chairman Guo Dongpo, CCPIT vice chairman, (Xue Yishan), CCPIT secretary general, (Zhang Qing), deputy director in charge of Asian Affairs of the PRC Foreign Ministry, and (Sha Wei), deputy director general of the Ministry of Foreign Economic Relations and Trade.

Philippine Congressional Group Ends Visit
OW2806234788 Beijing XINHUA in English
0640 GMT 28 Jun 88

[Text] Shenzhen, June 28 (XINHUA)—A Philippine Congressional delegation left here for home via Hong Kong today at the end of their ten-day visit to China.

Earlier, Jovito Salonga, delegation leader and president of the Senate, said that China's reforms and opening to the outside world, aimed at promoting socialist economy of Chinese characteristics, are successful.

Shenzhen's experience in absorbing foreign funds, in particular, is useful for the Philippines, he added.

The guests arrived in Guangdong June 25 after visiting Beijing, Shanghai and Hangzhou.

Amity Delegation Visits New Zealand, Meets Lange
OW2806113288 Beijing XINHUA in English
1203 GMT 27 Jun 88

[Text] Wellington, June 27 (XINHUA)—A visiting four-member delegation from the Chinese Peoples' Association for Friendship with Foreign Countries led by President Zhang Wen-jin this afternoon paid a courtesy call on New Zealand Prime Minister David Lange and handed him a lacquer plate in fulfilment of a wish from the late Rewi Alley.

The plate was a reward Alley won in the "China in Foreigners' Eyes" newspaper article competition last year. He had intended to present it as a gift to the prime minister but failed to do so when cerebral thrombosis and heart failure deprived him of his life on December 27, 1987.

Alley, as a noted New Zealand social activist and an old friend of the Chinese people, had dedicated his life to working and living with them and had a deep understanding and love for China.

Earlier, the delegation met with Foreign Affairs Minister Russell Marshall.

The delegation arrived in New Zealand on June 24 for a nine-day visit.

Qin Jiwei Meets Burmese Youth Delegation
OW2906084688 Beijing Domestic Service
in Mandarin 1500 gmt 24 Jun 88

[Text] Qin Jiwei, member of the Political Bureau of the CPC Central Committee and state councillor, met with a delegation of the Lanzin Youth Organization at the Great Hall of the People on the afternoon of 24 June. Qin Jiwei hopes that the youth of the two countries will carry forward the tradition of friendship between China and Burma and hand it on from generation to generation.

Vietnam Rejects CGDK Statement on Talks
OW2806140388 Beijing XINHUA in English
0815 GMT 28 Jun 88

[Text] Hanoi, June 28 (XINHUA)—Vietnam has rejected the June 26 statement issued by the Coalition Government of Democratic Kampuchea (CGDK) in Bangkok that Vietnam should talk with Samdech Norodom Sihanouk and the CGDK.

The Vietnamese Foreign Ministry in a statement carried by the local press today, said the proposal "means attempting to eliminate the People's Republic of Kampuchea (PRK)," which was installed in Phnom Penh by the Vietnamese after invading Kampuchea nearly ten years ago.

The statement said Vietnam "recognizes only the PRK as the legitimate state of the Kampuchea people."

Vietnamese Foreign Minister Nguyen Co Thach also told Vietnam's news agency that his government "stands firmly against" attempts to turn informal "cocktail party" discussions in Jakarta into a negotiation between Sihanouk and Vietnam.

He tried again to describe the Kampuchean problem which was caused by Vietnam's invasion as an "internal affairs of Kampuchea," saying Vietnam had rejected a design to allow the countries taking part in the second stage of these talks "to impose a solution on the internal affairs of Kampuchea."

The minister also avoided mentioning a timetable for the total withdrawal of Vietnamese troops from that country.

Near East & South Asia

Saudis Refuse U.S. Request To Inspect Missiles
OW2906093488 Beijing XINHUA in English
0105 GMT 29 Jun 88

[Text] Kuwait, June 28 (XINHUA)—The U.S. Government still insists on its attitude that the Saudi Government should allow it to inspect the medium-range missiles purchased by Saudi Arabia from China earlier this year, Kuwaiti News agency reported this evening.

The agency quoted U.S. Assistant Secretary of State Richard Murphy as saying that his government feels "deeply concerned" over the ability of the aforesaid Chinese-made missiles to carry warheads.

A statement to this effect was made by Murphy to the Kuwaiti News Agency following a press conference held by him in Kuwait at the close of his visit to Kuwait.

Murphy declined to say openly if his government plans to continue to request to inspect the aforesaid missiles.

The U.S. Government had recalled its ambassador to Saudi Arabia Hume Horan in April, only six months after he was appointed. It was unofficially reported that Saudi Arabia had declared Hume Horan a persona non grata (an undesirable person) on account of his insistence on a U.S. inspection of the missiles purchased from China for enhancing Saudi defensive capabilities.

At that time both China and Saudi Arabia announced that the missiles were conventional ones incapable of being furnished with warheads, and Saudi Arabia pledged to use these missiles only in case it lay open to a foreign aggression.

It is noteworthy that Saudi officials have declared on several occasions that they would not allow the U.S. to carry out such inspection.

'Fresh Soviet Troops' Reported in Afghanistan
OW2906083988 Beijing XINHUA in English
0814 GMT 29 Jun 88

[Text] Islamabad, June 29 (XINHUA)—Fresh Soviet troops were seen entering Afghanistan with large supplies of arms and ammunition, specially napalm bombs, the local paper "THE NATION" said here today.

Kabul truckers have reportedly seen carrying large napalm bombs to southern areas of Afghanistan every evening last week, the paper said.

The report contradicted the announcement of the Soviet military command and the Kabul regime that Soviet troops have totally been withdrawn from Nangarhar and Lowgar Provinces east and south of Kabul respectively.

It was reported that Soviet troops were still stationed in both provinces although a bulk of them have been withdrawn, the paper said.

A Soviet post remains at Safed Sang on the east side of the Lowgar road overlooking the 'Aynak Valley. Soviet troops have also been seen with armored vehicles in the provincial capital [as received] of Pol-e 'Alam, it added.

Although Soviet troops are seen pouring into Kabul, capital of Afghanistan, from various parts of the country, yet their onward movements have been slowed down, it further said.

Moscow and Kabul have time and again threatened to slow down the pulling-out process if Pakistan continues to provide arms to Afghan rebels, but Pakistan has rejected their accusations.

The Soviet Union began to withdraw their estimated 115,000 troops from Afghanistan on May 15 in accordance with the Geneva accord signed on April 14 this year.

Pakistan Protests 'Unprovoked' Attack by Kabul
OW2806140888 Beijing XINHUA in English
1733 GMT 27 Jun 88

[Text] Islamabad, June 27 (XINHUA)—Pakistan today lodged a strong protest with Kabul against its unprovoked attack on its territory and killing and wounding its people.

The Afghan charge d'affaires was summoned to the Foreign Office this morning and a protest note was handed over to him, an official release said here this evening.

The Kabul armed forces fired two rounds of tank gun on June 25 which landed five kilometers to the southwest of Pakistan border town Chaman in Baluchistan Province killing one woman and wounding one man.

The Pakistani government yesterday handed over a complaint to the United Nations Good Offices mission in Afghanistan and Pakistan (UNGOMAP) in connection with the bomb blast in Prince Hotel of Peshawar, capital of Northwest Frontier Province on June 25 claiming 14 lives of innocent people, the same sources said.

The blast was yet another example of the campaign of subversion launched by the Kabul regime in Pakistan territory. It was stressed to the UNGOMAP that such barbaric acts of terrorism by Kabul are in flagrant violation of the Geneva accords on Afghanistan.

Pakistan has given to the UNGOMAP a detailed list of camps maintained by the Kabul regime to train saboteurs and terrorists for carrying out subversion in Pakistan and has asked it to carry out appropriate investigations in accordance with the provisions of the Geneva accords, the sources said.

India Plans July Launch of Satellite
OW2806141288 Beijing XINHUA in English
1607 GMT 27 Jun 88

[Text] New Delhi, June 25 (XINHUA)—India's augmented satellite launch vehicle ASLV-D2 is scheduled to launch between July 10 and 25 at Sriharikota in India's southeastern state of Andhra Pradesh. [Words indistinct] reported the press trust of India, will place the stretched Rohini series of satellite SROSS-2 in orbit at a 400 kilometer height.

The 150-kilogram Sross-2 would be carrying a multi-electro-optical stereo scope that will photograph the earth's terrain in three dimensions and a gamma ray-burst detector that will be useful in radio astronomy.

The "safe arm" device in the ASLV-D2 will go into operation before the launch unlike that in the ASLV-D1 where it [words indistinct] function, the report said.

Meanwhile, India's first remote sensing satellite completed 100 days in space today, beaming back to earth more than 22,500 international-quality pictures.

Iranian 'Campaign' To Improve Foreign Ties Viewed
OW2606101888 Beijing XINHUA in English
0553 GMT 26 Jun 88

[Text] Tehran, June 25 (XINHUA)—Iran has started a campaign to improve its relations with Western and Eastern countries and has apparently made some headway in this aspect.

Following its resumption of diplomatic ties with Paris on June 16 after an 11-month rupture, Tehran is also making efforts to warm up relations with Britain and Canada.

As a friendly gesture, Iran sent a delegation to London in early June for talks on mutual compensation claims for damage to their respective embassies in London and Tehran. During the three-day talks, Britain agreed to pay Iran 1.8 million pounds (3.2 million U.S. dollars) for the damage caused to Iranian Embassy in 1980 when commandos of Britain's Special Air Service stormed the building to free hostages seized by anti-Iranian terrorists. Iran will, in return, pay Britain 900,000 pounds (about 1.6 million dollars) for damage to the British Embassy during the Islamic revolution.

Ten days after the agreement was reached, Iran invited a British parliamentary delegation to visit Tehran, the first of its kind since the Islamic revolution in 1979. Deputy Parliament Speaker Mehdi Karrubi, Deputy Prime Minister Alireza Moayyeri and Deputy Foreign Minister Mohammad Javad Larijani met the British visitors and held talks on various issues. Both sides expected to pave the way through the meetings for improving bilateral ties.

Iran is also trying to better ties with another Western country—Canada. The IRANIAN NEWS AGENCY today quoted Foreign Minister Ali Akbar Velayati as saying preliminary talks are under way on resuming ties with Ottawa.

Canada severed relations with Iran in 1979 at the start of the Iranian revolution. Prior to cutting relations, the Canadian Embassy had protected a number of American diplomats and their family members and provided them with false passports to leave Iran.

Since the founding of the Islamic Republic of Iran, there has been a widespread slogan from the government—"no East, no West." However, in the past year, while improving its ties with the West, the Iranian Government has increased its exchanges with some Eastern bloc countries, including Bulgaria, Yugoslavia, Romania, Hungary and Korea. Early this month Bulgarian Prime Minister Georgi Atanasov visited Iran. The two sides signed a political, economic and cultural cooperation protocol.

Although Iranians often shout the slogan of "down with the Soviet Union," relations between the two countries are improving little by little through economic and other cooperation in the past year instead of deteriorating. The two countries have agreed recently to build a joint shipping line in the Caspian Sea.

All these developments show Iran is reforming its foreign policy at a time when it has suffered setbacks in its war with Iraq.

It seems to have become more realistic and practical in its contacts with foreign countries. Political analysts here believe that it has at least started to shake off the isolationist policy.

RENMIN RIBAO on Israel's Use of 'Mercenaries'
HK2906081388 Beijing RENMIN RIBAO in Chinese
25 Jun 88 p 6

["International Jottings" by Yue Lin (2588 7207): "This Does Not Help in Any Way"]

[Text] Who would have thought that Israel, which has consistently bragged about possessing the most powerful armed forces in the Middle East would enlist mercenaries abroad? According to reports from the Middle East, the Israeli authorities have enlisted 4,000 Canadian and American mercenaries and 1,000 of them have arrived in Israel. Judging from the fact that Tel Aviv has been reduced to dependence on foreign mercenaries from its former domineering position over the Middle East, it seems things are really getting hard for the Israeli authorities.

In fact, both the percentage of its army men in the entire population and that of its military expenditure in the financial budget show Israel stands among the most powerful countries throughout the world. On an average, out of every 5 Jews there is a soldier, and the military expenditure accounts for 1/7 of its annual budget. Israel, with so many soldiers and such adequate weaponry, is normally in a strong enough position to defend its 14,000 square kilometers of territory and there is no need to spend money enlisting foreign mercenaries. But why? The reason behind it is, to put it bluntly, to make use of the mercenaries to serve its aggression and expansion policies.

According to analysis, there are 3 reasons for the Israeli authorities to enlist foreign mercenaries: First, with the struggle of the Palestinian people in the occupied territory against Israel [is] increasingly rising, Israel is compelled to deploy more armed forces on the west bank of the Jordan river and Gaza Strip, resulting in short supply of troops for deployment. Second, morale of Israeli troops is low. More and more soldiers refuse military service in the occupied regions; quite a lot of soldiers reject the order to hit Palestinian people; even some high-ranking officials join anti-war organizations. Third, the sources of troops are drying up. In the past, the Israeli authorities attracted immigrants to replenish their troops by means of setting up Jewish settlement areas. With the struggle of the Palestinian people against Israel developing in depth, however, the settlement areas "are losing their appeal." It is estimated that 82 percent of Jews who left the Soviet Union this year refused to go to Israel. A lot of people want to leave the settlement areas; even 20 percent of Jewish youth in Israel try to leave the homeland which they so longed for before.

The Israeli authorities believe "there must be warriors if an attractive reward is offered." But are the foreign soldiers who are hired with money really willing to die for them? To stamp the national rights of the Palestinian people underfoot and to occupy the sacred territory of the Arab people is, after all, unpopular. It will not only arouse resistance on the part of the oppressed people, but also come under worldwide condemnation. Since the cruel suppression in the past was to no avail, it will certainly not help in any way to enlist foreign mercenaries to serve as hatchetmen.

Sub-Saharan Africa

Zambian Group Tours Nanjing, Attends Banquet
OW2906025288 Nanjing Jiangsu Provincial
Service in Mandarin 2200 GMT 22 Jun 88

[Text] A Zambian military delegation led by Zambian Secretary of State for Defense and Security [title as heard] Alex Kaunda Shapi arrived in Nanjing from Beijing by special plane on the morning of 22 June. (Fu Jiaping), director of the Foreign Affairs Bureau of the Chinese Ministry of National Defense, accompanied the delegation on the trip. General Malimba Masheke, member of the Zambian delegation and Zambian minister of defense, and Zambian Ambassador to China Mathias Mainza Chona also arrived in Nanjing by the same plane.

On hand at the airport to welcome the Zambian guests were Xiang Shouzhi, commander of the Nanjing Military Region, and responsible persons of the leading organs and departments concerned with the Nanjing Military Region Liu Lunxian, (Qin Jiade), (Xia Yicheng), and (Qiao Shouyi).

In the afternoon, Secretary of State Shapi and his party visited the PLA Army Command College in the company of Commander Xiang Shouzhi. In the evening, Commander Xiang Shouzhi gave a banquet in honor of the Zambian military delegation in Jinling Hotel. Jiangsu Vice Governor Wu Xijun and Nanjing Vice Mayor (Zhong Yuhui) were invited to and attended the banquet.

Media View Namibian-Angolan Situation

'Jottings' on RSA's 'Purpose'
HK2806150588 Beijing RENMIN RIBAO in Chinese
24 Jun 88 p 6

["International Jottings" by De Wen (1795 2429):
"Botha's Retrogression"]

[Text] South African President Botha has clamored that if the whole world continues to urge South Africa to withdraw its troops from Namibia, "southwest Africa might become another battlefield." He has also warned that if the world persists in accusing South Africa of illegally occupying Namibia, "the consequences might be catastrophic." It is obvious that Botha's purpose in expressing these views is to show that the South African authorities are not willing to withdraw their troops from Namibia, and that they intend to continue to regard the occupied territory as their sphere of influence.

The fact that Botha has said a lot of nonsense has been connected with the current situation in the southern part of Africa. In early May, succumbing to pressure applied from various quarters, South Africa was compelled to attend a four-party meeting in London. At the meeting, Angola made great efforts in proposing a timetable for the withdrawal of the Cuban troops. In so doing, the second round of the four-party meeting to be held in Cairo will, of course, involve the issues of the South African troop withdrawal from Namibia and granting independence to Namibia in accordance with UN Resolution 435. Obviously, this will touch Botha's sore spot. On the eve of the Cairo meeting, Botha's purpose in uttering the above-quoted remarks was no more than to threaten the participants: The plan to urge South Africa to withdraw from Namibia will not work. Before the meeting was convened, he had already laid bare his ugly features. This can only show that he has no sincerity at all as far as the settlement of the problems of southern Africa is concerned.

The South African authorities have illegally occupied Namibia for 20 years. During this period, they have suppressed the resistance of the Namibian people and turned a blind eye to the relevant UN resolutions. They have completely ignored international public opinion and flown in the face of the will of the people of the whole world. They have become completely isolated. Now, the public opinion of the whole world

hopes that the problem of Namibia will be solved through peace talks. In the meantime, the four-party meeting has made some progress. However, Botha has blown a cold wind and has gone backward to his former stubborn stand. This cannot but arouse the indignation of the people of various countries who wish to solve the problem of Namibia as early as possible. To Botha, the consequence of being universally condemned is truly "catastrophic."

'News Analysis' on Cairo Talks

OW2806202788 Beijing XINHUA in English
0152 GMT 28 Jun 88

["News Analysis: Little Progress in Cairo Talks"—XINHUA headline]

[Text] Gaborone, June 27 (XINHUA)—The available information on the Cairo talks among Angola, Cuba, South Africa and the United States shows that the talks remained talks about talks.

U.S. Assistant Secretary of State in Charge of African Affairs Chester Crocker said at the close of the negotiations that the Cairo talks had yielded two accomplishments: They restored the positive atmosphere achieved in the London talks and that the agreement to meet in the near future has provided the basis for testing the genuine desire of both sides to reach an accord on Angola and Namibia.

South Africa is unwavering in its position that all Cuban troops must be withdrawn from Angola before a UN plan can be implemented to grant independence to Namibia.

Cuba and Angola, for their part, insist that UN Security Council Resolution 435 must be implemented before all the Cuban troops are sent home.

It seems that Pretoria is not anxious for a quick solution to the Namibia issue, because there are too many ifs and buts.

Therefore the prospects for a solution to the Namibia issue are dim.

But since the United States and South Africa link the Cuban troop withdrawal to the implementation of Resolution 435, there won't be any excuse for South Africa not to implement the resolution if the Cubans go.

The Cairo meeting agreed to accept both South African and Angolan proposals as the basis for further discussion at the experts' meeting in July in Washington or New York.

West Europe

Reportage on Sino-Italian Economic Cooperation

To Form Joint Enterprises

OW2806225988 Beijing XINHUA in English
0551 GMT 28 Jun 88

[Text] Rome, June 27 (XINHUA)—China and Italy will cooperate in developing small and medium-sized enterprises.

The Italian Employers' Association, Confindustria, and the Chinese coordination center for promoting cooperation of small and medium-sized enterprises with foreign countries signed a letter of intent Friday to push forward cooperation between the two countries.

Confindustria Vice-President Franco Muscara said such cooperation would enable Italian small and medium-sized industries to enter the Chinese market.

The letter covers 52 projects such as automobile industry equipment, leather-processing machinery and clothing.

The cooperation may take several forms such as joint venture.

Hold Economic Meeting

OW2906011488 Beijing XINHUA in English
0659 GMT 28 Jun 88

[Text] Beijing, June 28 (XINHUA)—The China-Italy Committee on Economic Cooperation opened its fifth session here today.

Chinese Minister of Foreign Economic Relations and Trade Zheng Tuobin and Italian Minister of Foreign Trade Renato Ruggiero attended today's meeting.

During the three-day meeting, Chinese and Italian trade officials are expected to discuss problems with the economic cooperation and trade between the two countries. Over 50 representatives of Italian business firms are also attending the meeting.

Much progress has been made in the Sino-Italian trade in the past few years. Italy is now China's second largest trade partner in Western Europe.

According to Chinese statistics, the volume of Sino-Italian trade reached 1.8 billion U.S. dollars in 1987, up 20 percent over the 1986 figure, with China suffering a deficit of 680 million U.S. dollars.

However, the Italians, who take entrepot trade as part of the Italy-China trade, say that the volume of trade between the two countries was 2.2 billion U.S. dollars for 1987, with a surplus of 66.7 million U.S. dollars for Italy.

Meanwhile, China and Italy signed three three-year cooperation agreements since 1981. The agreements cover 120 projects involving a total investment of two billion U.S. dollars.

Ruggiero called on Chinese Minister of Metallurgical Industry Qi Yuanjing here this afternoon. Zheng is scheduled to hold a dinner in honor of the Italian visitors here this evening.

XINHUA Group Meets Finnish Prime Minister
OW2906011088 Beijing XINHUA in English
0714 GMT 28 Jun 88

[Text] Helsinki, June 27 (XINHUA)—Finnish Prime Minister Harri Holkeri met visiting XINHUA News Agency Director Mu Qing and his party over breakfast at the Government House this morning.

The prime minister reviewed progress made in Sino-Finnish relations over the past years and said the Finnish people are following with great interest the successes China has made in its reforms.

He expressed the hope for greater cooperation with China, particularly in the fields of paper-making and related machinery in which Finland boasts the world's most advanced technology.

In response, director Mu Qing predicted that cooperation between the two countries will continue to grow with the deepening of China's economic reforms.

The XINHUA delegation was invited to this Nordic country by Per-Erik Linnfors, director of the Finnish news agency STT. It concluded its ten-day visit this afternoon and left to visit Czechoslovakia and Bulgaria.

Envoy Asserts 'Sacred Sovereignty' Over Tibet
OW2906071588 Beijing XINHUA in English
0632 GMT 29 Jun 88

[Text] Paris, June 28 (XINHUA)—Tibet is an inalienable part of China and any attempt to internationalize the Tibet issue and separate it from China is doomed to failure, a senior Chinese diplomat said here today.

In an interview with AFP reporter Elisabeth Zingg, [name as received] Chinese ambassador to France Zhou Jue said China's sovereignty over Tibet cannot be denied and the history of Tibet cannot be distorted.

Zhou was commenting on the Dalai Lama's June 15 speech in Strasbourg, France, in which he made a "new proposal" over the Tibet issue.

The Chinese ambassador noted that there is some change in the tune of the Dalai Lama's recent speech as compared with the one he made in the U.S. Congress last year. But what remains unchanged is the essence: He is still distorting both history and reality of Tibet, denying China's sacred sovereignty over Tibet.

As a matter of fact, Zhou said, no government in the world denies the fact that Tibet is part of China. Tibet should not be allowed to become independent, semi-independent or gain independence in any form, he said.

Zhou said any attempt to internationalize the Tibet issue and divide the motherland with the support of foreign forces cannot be allowed.

China will never yield to any outside pressure on the Tibet issue, he declared.

Zhou told AFP that the Dalai Lama himself is welcome in Beijing or he is welcome to send his representative there to negotiate. Any issue can be discussed except the independence of Tibet, he said.

The channel through which the Dalai Lama makes contact with the central government is still open and there is no change in the Chinese Government's policy over the Dalai Lama.

NPC Standing Committee Continues Second Session

To Hold Regular News Briefings

*OW2806162288 Beijing XINHUA in English
1415 GMT 28 Jun 88*

[Text] Beijing, June 28 (XINHUA)— Regular news briefings and conferences and a public gallery will be introduced when the Standing Committee and the NPC special committees are in session, Peng Chong, vice-chairman of the NPC Standing Committee said today.

Views of committee members about law and other matters should be made public via the mass media, Peng said at a plenary meeting of the on-going second session of the committee.

Peng noted that the central task of the committee over the next five years is to build up a socialist democratic and legal system with the view to establishing "a new order of socialist commodity economy."

While stepping up legislation, the Standing Committee shall also revise or amend existing laws and draw upon "useful experiences" of foreign countries, he said.

The committee's supervision of laws and the work of the State Council, the Supreme People's Court and the Supreme People's Procuratorate should also be strengthened, he stated.

However, he noted, the committee's supervision should be conducted strictly in line with legal procedure and avoid exceeding limits or meddling in affairs it has no right to.

The meeting, chaired by Wan Li, heard a report on the future work of the committee, reports on the seven NPC special committees, and also a report by Ye Lin, vice-chairman of the NPC Financial and Economic Committee, on the examination of the 1987 final budget.

To Concentrate on Legislation, Law

*OW2806161188 Beijing XINHUA in English
1422 GMT 28 Jun 88*

[Text] Beijing, June 28 (XINHUA)— The major tasks of the Standing Committee of the Seventh Chinese National People's Congress (NPC) over the next five years will be enhancing reform and open policies and strengthening socialist democracy and laws.

Based on this, the committee will concentrate on legislation and supervision of laws within China while developing and widening relations outside China, said a report tabled today at the on-going second session of the committee.

The report called for nearly 30 laws on economic construction, administration, citizen rights and social order.

The economic laws will include laws on budget, investment, social and economic plans, finance, prices, audit, anti-monopoly, labor, rural businesses, private businesses, maritime affairs, import and export inspections, and income tax in foreign-funded enterprises.

The administrative laws will cover administrative procedure, compensation, civil service, security, education, teachers, and sanitation.

Citizen rights and social order laws will deal with gatherings and demonstrations, press, publication, associations and trade unions.

Rules of procedure for the NPC will be formulated. The rules for the NPC Standing Committee were published last year.

The Standing Committee will also review existing laws, mainly civil code, land management, economic contracts and Sino-foreign joint ventures.

Assails Students' Materialism

*OW2806163688 Beijing XINHUA in English
1432 GMT 28 Jun 88*

[Text] Beijing, June 28 (XINHUA)— Members of the Standing Committee of the National People's Congress today rapped teachers and students who are more concerned with making money than imparting or acquiring knowledge.

Public understanding of education should be enhanced so economic development can go hand in hand with education, the members said during a discussion of a report on China's education by He Dongchang, deputy director of China's State Education Commission.

Wang Jinling said some education departments, while taking measures to solve problems in education, have merely created new ones. Concern over earnings is an example, with some teachers focusing more energy on making money than their regular work.

Tao Dazong said more and more college students also have begun to get into businesses, some by profiteering.

He felt it was unwise to put "earnings" in too high a position. "Colleges and universities should set teaching and scientific research as their central task," he said.

Tao said the situation has worsened. Normal school students don't want to work as teachers and colleges or universities are having a hard time enticing postgraduates to stay on and teach.

He said there will be a serious shortage of people to carry on in five or 10 years if the situation continues unchecked.

In some economically-developed areas, he said, many middle school students are dropping out of school to find jobs.

Both the Standing Committee and the State Education Commission should be concerned about the development, he said.

Deng Jiatai pointed out that it is right to adopt a "work-and-study" policy. But, he said, the purpose of the policy is to help students acquire a correct attitude toward physical labor and learn some practical techniques.

Xu Jialu said what China needs most is not advanced talents but primary and medium-level professionals. The state should give priority to fulfilling this need.

Li Guiying said readjustment of the education structure depends on local circumstances.

Some members said more attention should be given to education of ethnic minorities because the key to implementing autonomy in ethnic regions lies in developing culture and education of the ethnic minorities.

Hears Budget Deficit Report

*OW2806163988 Beijing XINHUA in English
1453 GMT 28 Jun 88*

[Text] Beijing, June 28 (XINHUA)—The Chinese state government had a deficit of 7.959 billion yuan last year, according to a financial report delivered at the on-going second meeting of the National People's Congress Standing Committee.

Total state revenues last year amounted to 236.89 billion yuan while total expenditures were 244.849 billion yuan, Chi Haibin, vice-minister of finance, said in his report.

Ye Lin, vice-chairman of the NPC Financial and Economic Committee said today that a deficit of some 8 billion yuan is expected in this year's budget, too.

Ye said more attention should be paid to increasing revenues and reducing expenditures in order to bring the deficits under control.

The most urgent tasks, he said, are to deepen the restructuring of the economy, raise efficiency, adhere to the state budget, avoid overspending, and strengthen administration of finance and tax incomes.

Top Military Officials Absent

*HK2906064588 Hong Kong SOUTH CHINA
MORNING POST in English 29 Jun 88 p 10*

[Text] Most of the top officials on the Central Military Commission (CMC) have been absent from a state discussion that opens the way to restoring ranks and awarding medals to worthy officers.

The meeting of the Standing Committee of the National People's Congress has been in session for three days, but except for the director of the People's Liberation Army General Political Department, President Yang Shangkun, not a senior member was present either to listen to the proceedings or to offer explanations to the largely civilian group.

While the absence of the chairman of the CMC, Mr Deng Xiaoping, was to be expected, the absence of such personalities as the first vice-chairman, Mr Zhao Ziyang, was surprising, especially at a time when the hierarchy is trying to boost Mr Zhao's standing in the military.

Also absent were the two deputy secretaries-general of the CMC, Mr Hong Xuezhi and Admiral Liu Huaqing.

Another odd development noticed by analysts outside China was the absence of both the President and Vice-President during the state visit of the President of Ethiopia, Colonel Haile Mengistu.

The official explanation, given by the Foreign Ministry a few days later, was that President Yang had influenza. However, in his absence the Vice-President, Mr Wang Zhen, another veteran army officer, should have been there to play host. Mr Wang was also absent and the duty fell on the Prime Minister, Mr Li Peng, who acquitted himself fairly well.

The absence of the country's two top representatives, the President and the Vice-President, at a time like this is unprecedented. When Mr Li Xiannian was President and was ill, the then vice-chairman, Mongolian Mr Ulanhu, stood in.

It has been said, although never confirmed, that Mr Wang was suffering from a terminal disease. Both Mr Yang and Mr Wang are in their early 80s.

2 Receive Death Sentence for Student's Murder

*HK2906091688 Hong Kong AFP in English 0909 GMT
29 Jun 88*

[Text] Beijing, June 29 (AFP)—Judges on Wednesday ordered the immediate execution of a 25-year-old man for a student's murder which triggered an outburst of anti-government anger at Beijing University this month.

Wang Jian had been convicted of killing geophysics student Chai Qingfeng, 22, on June 2 near the suburban campus, the BEIJING EVENING NEWS said.

A second man, Ha Enming, 18, received the death penalty but with a two-year reprieve, the paper said.

Three others received prison terms of 15, seven and three years, while the sixth person involved was given a suspended sentence for hooliganism, it said.

The six were arrested after Mr. Chai was attacked and shot with a pellet gun following an argument at a snack bar.

He died June 3 in the hospital, prompting a night march by 2,000 students to Tiananmen Square and a rash of posters on campus critical of the Chinese Government and Communist Party.

The unrest cooled off about two weeks later as exams approached and China's leadership blamed a "minority" of student activists for exploiting a criminal act to fan social unrest.

Death sentences in China are carried out with a bullet in the neck.

The BEIJING EVENING NEWS gave no further details of the sentencing.

Farmers Said To Injure Security Forces in Clashes
HK2906081888 Hong Kong AFP in English 0813 GMT 29 Jun 88

[Text] Beijing, June 29 (AFP)—At least 70 members of the security forces were injured last week in clashes with about 1,000 farmers near Beijing, reliable sources here said Wednesday.

The sources said there were verbal reports in the area that three people may have died after being beaten by police during the June 21 clashes in Fangshan District, some 50 kilometers (30 miles) southwest of Beijing.

The sources said the clashes, which lasted several hours and involved several thousand security force personnel, began after the farmers staged a demonstration against pollution from a petrochemical plant.

Asked about the reports, the Chinese police took note of the question and undertook to issue a confirmation or a denial.

Extortion Attempt by Party Official Reported
HK2906045688 Beijing RENMIN RIBAO in Chinese 20 Jun 88 p1

[Report by Chen Chaozhong (7115 2600 0022): "District Party Committee Secretary Causes Production at a Chemical Works To Be Partly Stopped Because He Fails To Extort What He Wants"]

[Excerpts] By abusing his power, Gao Yuncong, Secretary of the Jili District Party Committee of Luoyang City, Henan Province, forced the Jili Chemical Works in the district to buy houses, cars, and color television sets for him. Due to the failure to "fulfill the task," Yao Yuncong, however, abused his power in judicial work and instructed the local procuratorial organ to investigate "problems" of the factory director Chen Zengxing.

When investigating what were described as "problems" of the director, personnel of procuratorial organ tried in every possible way to obtain confessions by torture from peasants who had taken part in construction of the chemical works. Of 14 people who were summoned for interrogation by the procuratorate, 10 were beaten up and two were of them were taken to a hospital. Since March this year production of the Jili Chemical Works has been partly stopped or even put to a full stop. [passages omitted]

The Jili Chemical Works in Luoyang City is a collectively-run factory producing polypropylene by using byproducts of the Luoyang Oil Refinery. Building of the factory began at the end of 1984 and was completed 3 years later as scheduled. The Luoyang City government appointed Chen Zengxing, vice director of the city's Fuel and Chemical Bureau, to be in charge of preparing the establishment of the factory. Last year the factory produced more than 1,800 tons of polypropylene on a trial basis, amounting to a output value of over 8 million yuan. In March this year when production of the factory was in full swing, four procuratorial personnel of Jili District took away account books of a service company at the factory's dormitory in Xigong District of Luoyang City. Four days later the procuratorate sealed two safes belonging to the company, forcing the company to stop doing business. On 14 April the house of the company's manageress Guo Lanfang was searched and she was interrogated.

After more than 2 months of investigations conducted by the Jili District procuratorate, no problems were found from those account books. Recently the procuratorate summoned peasants taking part in construction of the factory and extorted confessions by torture from them.

Cadres and workers of the factory were very indignant at what Gao Yuncong and the procuratorate had done. Fifteen middle-level cadres submitted a written statement to the Luoyang City party committee and people's government to ask for an investigation of the problem. Principal leading comrades of the city party committee paid special attention to the problem.

Commentator Criticizes Officials Who Abuse Power
HK2906050488 Beijing RENMIN RIBAO in Chinese 20 Jun 88 p1

[Commentator's article: "Bring Those Who Abuse Power To Seek Personal Gains to Light"]

[Text] Relying on his power and position, Gao Yuncong, secretary of the Jili District party committee of Luoyang City, asked for houses, cars and color television sets from the Jili Chemical Works in his district, and he even wantonly abused his power just because the factory failed to "fulfill the task." What he did has aroused popular indignation.

The party Central Committee has time and again stressed that leading organs and leaders at all levels should be honest and upright in their official duties. Today this paper brought how Gao Yuncong had abused power for personal advantage to light, with a view to calling on cadres and the masses to mercilessly expose and report all kinds of unhealthy tendencies to the authorities and to bravely struggle against different types of violations of laws and discipline, and helping vast numbers of cadres, and particularly leading cadres at various levels, clearly understand the importance of being honest and upright in their official duties. At the same time, we want to again warn Gao Yuncong and his like that party organizations and the masses will never tolerate corruption, accepting bribes, manipulation of power for personal ends, extortion and other corrupt practices. Those who abuse power for personal gains shall certainly be investigated and dealt with.

Gao Yuncong as secretary of a district party committee should have conscientiously observed party discipline and state laws and taken the lead in resisting unhealthy tendencies but he did exactly the opposite. He probably thinks that he could demonstrate his power of a "monarchical state" because he is secretary of a district party committee and wields the power in judicial work, and that even though I extort you—the Jili Chemical works, a small collectively run enterprises, what you can do is only to swallow a bitter pill. As far as the factory is concerned, it probably believes that "arm can never be matched with thigh—kings have long hands," and that it can do nothing but satisfy demands of the higher authorities because it is awed by their power and influence. However, it is too bad that it could not be done. Consequently, Gao Yuncong got worked up and even abused his power in the local judicial and procuratorial organs to vent his spleen.

However, who represents the "arm"? Who represents the "thigh"? If the thin arms of those who abuse power for personal gain and violate party discipline and state laws can be well matched with the thighs of the masses and with party discipline and state laws, would that not be a joke? If your immediate superior asks you to abuse power to seek personal gains for him, what you should do is to resist and expose it and you should in no way yield to and play a supporting role.

One other thing that must be mentioned here is that the Jili District Procuratorate played a dirty role when Gao Yuncong abused power for personal gains. Cracking down on criminal activities in the economic field and protecting economic development are the functions entrusted to the people's procuratorates by laws. To ingratiate itself with its immediate superior or owing to being awed by power and influence, the Jili District Procuratorate gave aid and abetted the evil-doing under the pretext of enforcing law. This is by no means tolerated by law.

Although the outrages committed by a leading cadre like Gao Yuncong and playing the jackal to the tiger by the Jili district procuratorate are seldom seen, the influence they produced are very bad. To observe strict discipline, it is absolutely necessary to handle the case in real earnest.

CPC To Begin Expelling 'Unqualified' Members
HK2806145188 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 25, 20 Jun 88 p 6

[Article by Fang Zheng (2455 2398): "CPC Starts To Get Rid of Unqualified Members"]

[Text] This reporter has learned from relevant departments that the CPC will resolutely and steadily get rid of unqualified members.

The call for "strictly administering the party" was put forward by Zhao Ziyang last year in his report to the 13th party congress. Half a year has elapsed, and people at home and abroad have focused their attention on the question: Has the CPC really started to "strictly" administer the party?

According to an authoritative official, the CPC has started to structurally separate the functions of the party from those of the government so that the party can concentrate its energy on managing its own affairs. Organizationally, the party has adopted measures to vigorously consolidate the branches at basic levels, strictly ensure the quality of new members, and get rid of those who are unqualified.

Following the 13th party congress, the work of getting rid of unqualified party members was tested in the first half of the year in Hunan, Henan, Hebei, Zhejiang, Shanxi, Hubei, Jiangsu, Shandong, Heilongjiang, and Shanghai. The remaining provinces and municipalities will continue to carry out the experiment in the latter half of the year. The work will be carried out gradually in the provinces and municipality that have undergone the experiment. In a word, getting rid of unqualified members has become one of the priorities of the organization departments of the provincial party committees in the latter half of the year.

What Is the Significance of Getting Rid of Unqualified Members? [subhead]

China's price reform has entered a critical stage. The press has frequently disclosed speeches made by responsible persons of the CPC Central Committee on economic issues. As a matter of fact, the CPC has also paid close attention to party style, the general mood of society, and party building. Apart from the special discussions held by the CPC Central Committee's Political Bureau, Zhao Ziyang, Qiao Shi, and Hu Qili have on

many occasions stressed the necessity of enhancing education in party spirit and enforcing party discipline. To invigorate the economy, the party in power should be free from corruption.

Thus it can be seen that the CPC has not forsaken the task of eliminating corruption, advocating honesty, and strictly administering the party. Like an arrow on the bowstring, the task of resolutely eliminating depraved persons and appropriately dealing with unqualified members is imperative.

China is the largest country in the world and the CPC is the largest political party. According to the latest statistics, the CPC now has a total of 47 million members. As the CPC Central Committee exhorted the whole party: The impact and strength of a political party are determined by the quality, rather than the quantity, of its members.

From its founding in 1921 to 1928, the CPC had a membership of only 130,000. Although the number was small, the quality was good. With efforts made for 20-odd years, the CPC succeeded in the revolution and became a ruling party. After 1949, the number of party members increased sharply, reaching 35 million when the "Great Cultural Revolution" came to an end. The figure approached 40 million during the 12th party congress. Of this total, it is hard to avoid a handful of people with impure motives from sneaking into the party. Even among the veteran members who joined the party before 1949, it is hard to avoid a handful of them from becoming degenerates. On the whole, the majority of party members are good or fairly good. Because of large party membership, even if the unqualified members account for 1 percent of the total, the figure may reach 470,000. How can the matter be treated lightly?

Apart from exercising control over the government, the CPC has also implemented the policy of reform and opening up. This will inevitably impel party members to withstand a new test. To this end, the CPC Central Committee has repeatedly reminded the whole party to withstand the "dual" test.

Naturally, it is necessary to conduct education among those who cannot withstand the test. However, the experience of the CPC in the past has proved that education alone cannot thoroughly solve problems. If the depraved persons and unqualified members remain within the party, corruption and negative factors will spread like a virus. The only solution is to take the "scalpel" and remove the "ulcer" and "hidden peril."

Who Is To Be Removed? [subhead]

There are two categories of people to be removed by the CPC: depraved persons and unqualified members.

The CPC announced at its 13th Congress: Depraved persons must be expelled from the party. It should be noted that there are members within the party who repeatedly make minor mistakes but are never involved in big mistakes, or who refuse to take part in party activities and pay membership dues, or whose revolutionary will has been waning and who are unwilling to accept work assigned by party organizations, or who indulge in superstition and factional activities, or who put personal interests above those of the party and the people. All these are by no means isolated cases.

A number of rural party members in a county in Henan borrowed a total of over 100,000 yuan from a production brigade 10 years ago. The IOU receipts became yellow and some were even lost, but the public funds borrowed have not yet been repaid. The peasants said that it has been a custom since ancient times to repay the money you borrow. These party members who refuse to repay the public funds they have borrowed are throwing mud at the party. Here is another example: A party member of a county in Jiangsu started doing business after the relaxation of policies. He put money above the party, did not attend party activities, and even refused to pay membership dues. The masses outside the party asked: How can the Communist Party keep people like this?

Party members like this, who refuse to mend their ways after education, should certainly not be allowed to remain within the party.

Frankly speaking, there are explicit stipulations in the party constitution on how to deal with unqualified members. It is a pity that the CPC failed to be strict in enforcing discipline for a long time in the past. Because the functions of the party were not separated from the government and the party undertook all affairs of the government, the party organizations could not concentrate their energy to exercise management over their own members. As a result, the stipulations of the party constitution exist only in name.

Relevant personages have stressed that "CPC member" is a glorious title. Since it is glorious, we should not maintain the system of lifelong tenure in office, and only "admit" members but do not "expel" anyone. Those who fail to strictly follow party rules and regulations, who cannot play an exemplary role, and who cannot meet the requirements for party membership and refuse to mend their ways after education conducted by party organizations will be expelled or persuaded to withdraw from the party.

Adopt a Resolute Attitude and Steady Measures [subhead]

Viewed from the experiment carried out in some provinces and one municipality, when the work was assigned, a number of people within the party—the cadres at the basic levels in particular—had misgivings: Some lack

confidence, believing that nothing new can be introduced since the party has already undergone party rectification; some fear difficulties, believing that it is easy to distinguish the depraved persons but difficult to distinguish the unqualified members; some—afraid of offending others—fear that if these people are misjudged, they will have to be redressed in the future; and some are worried that the members expelled from the party will stir up trouble and increase the unstable factors in society.

For this reason, an authoritative official pointed out: There is a solid social foundation for expelling unqualified members from the party—because it is the aspiration of the majority of members within the party as well as the masses outside the party. While expelling unqualified members from the party, it is necessary to adopt a resolute attitude and steady organizational measures. We must prevent the practices of going to extremes and never punish people without conducting education. The current work to get rid of unqualified party members will be carried out together with the routine work of party committees at all localities. No movements will be launched and no percentage targets will be set. He also urged all localities to gradually promote the work in all areas by drawing upon experience gained in the experimental units.

RENMIN RIBAO Views Democratic Politics
HK2806091588 Beijing RENMIN RIBAO in Chinese
13 Jun p 5

[Article by Yang Bin (2799 2430): "The National Characteristics of Democratic Politics"]

[Text] Marxism always holds that democratic politics has a class nature and national characteristics. In the past, emphasis used to be laid on the class nature of democratic politics, but there were few explanations on its national characteristics. In this article the writer would like to air his opinions on this issue.

All Democratic Politics Has Its National Characteristics
[subhead]

Democratic politics, which was a product of bourgeois opposition to feudal autocratic rule, once played a revolutionary role in history. Now it still remains the main form of state administration in capitalist countries. Developing countries and their people are also striving hard for the realization of democratic politics in their political modernization. Socialism is, fundamentally speaking, a type of extensive democracy. Many socialist countries are devoting their efforts to improving and perfecting socialist democratic politics in the course of their reforms. But democratic politics varies with different countries and nations. Therefore different countries must proceed from their specific conditions in building their democratic politics.

In China, Sun Yat-sen, predecessor of the democratic revolution, gave brilliant expositions on this question. While referring to "civil rights" politics, he said: "Politics is the affair of the masses whereas administration is an affair concerning the management of the masses. For thousands of years public feelings, customs, and habits in Chinese society have been very different from those in European and American societies. Since Chinese society is different from European and American societies, political administration of society in China is, naturally, different from that in Europe and America." "It will not do to completely follow European and American examples." ("Selected Works of Sun Yat-sen," p 763, People's Publishing House, 1981) Sun Yat-sen also studied the American democratic system and constitution. He pointed out that many parts were "imperfect" and had "quite a number of shortcomings." With regard to "swine [zhu zai 3727 0098] congressmen" bartering away their honor or engaging in corruption, which appeared during the introduction of democracy characterized by representative government in the Western world, Sun Yat-sen sharply pointed out: "The representative system cherished by foreigners has been regarded as a plan for realizing long-term peace and stability for man and countries. This is not something to be relied upon." (Ibid, p 757) Sun Yat-sen's explanations serve as important reference for us in building socialist democratic politics with Chinese characteristics.

Viewed from a wider angle, even world famous bourgeois democratic thinkers did not think that there was a democratic system universally and most ideally applicable to all countries. Rousseau, an ideological pioneer who advocated "natural rights" as well as "freedom, equality, and universal love" during the French Revolution, pointed out in his book entitled the "Social Contract": A fine political system "should be revised according to the different relationships arising from the local conditions of different countries and the characters of the people in these countries. A special system should be formulated for each nation in line with these relationships. Possibly, this system may not be the best one, but it should be considered the best for the country exercising it." Another thinker named (Pramachi) explicitly pointed out: "A good government is not necessarily suitable for all nations. On this point, the temperaments and characters of these nations as well as the sizes of the countries concerned should be taken into account." (Rousseau: "Social Contract," p 87) Before Washington became the first U.S. president, he strongly suggested setting up a powerful centralized government and particularly stressed the importance of "national characteristics" for fear that the conflicts between the then 13 sovereign states might cause the "destruction to the whole country." America was once a British colony and some people in the country tried to draw up the constitution and form a parliamentary political system after the British pattern. But finally America did not follow the British pattern but instead introduced the presidential system. America succeeded in this connection.

Former U.S. President Jefferson, who drafted the "Declaration of Independence," also laid emphasis on the importance of national will and national characteristics in the choice of political systems.

Can backward countries in the world transplant the democratic system from developed countries? Many revolutionaries and politicians in Asia, Africa, and Latin America have given a negative answer to this question. After Latin American countries overthrew Spanish colonialist rule, Simon Bolivar, leader of the independence movement in Latin America in the last century, expressed some far-sighted views on which political system to establish. He said: "Never forget that the superiority of a government does not lie in its theory, form, or organization but in the nature and characteristics that suit the country." ("Selected Works of Bolivar," pp 88-89)

To sum up, both proletarian and bourgeois revolutionaries were of the opinion that the nature of a democratic political form could not be dealt with in the abstract, because the best democratic system for one country may not be suitable for another country or may be the worst system for it. Therefore whether a democratic political form is good or bad depends on whether it suits the actual conditions of the relevant country.

The Establishment and Perfecting of Democratic Politics Is a Gradual Process [subhead]

World history has proved that the establishment and perfecting of democratic politics undergoes a gradual historical process.

First, take as an example the electoral system, which is one of the important characteristics of democratic politics. This system has undergone a prolonged development process in capitalist countries. 1) The right to vote has gradually expanded. In the early days in Britain, there were very strict limits on the property qualifications of voters, so only a small number of rich people enjoyed the right to vote. The 1832 electoral reform law relaxed the limits on the property qualifications, thus increasing the number of voters by 200,000 and raising their percentage from 1.5 to 4.7 percent. In 1884, Britain unified the country's standard of election for urban and rural voters, allowing more workers in the urban areas the right to vote. British women conditionally won the right to vote for the first time in 1918, and it was not until 1928 that they began to enjoy the same right to vote as men did. 2) The electoral system has also undergone constant changes. In the beginning Britain adopted an open electoral method. It began to introduce the method of secret ballot in 1872. In 1883, it announced a law to abolish electoral deception and stipulated the limits on election expenditures and the punishments for electoral deception. In 1948, the electoral law on people's representatives abolished the electoral qualifications (that is, the duplicate ballot system) of business sections and

offices, the City of London, and the university electoral district, and Britain began to practice a principle called "one vote for each voter and one value for each vote."

Second, the bourgeois parliamentary system itself has also gradually improved through constant changes over 200 to 300 years. Britain was the founder of the parliamentary system. The constitutional monarchy set up after 1688 restricted the power of the king, who represented the interests of feudal aristocrats. Following capitalist development in the early and mid 18th century, the Parliament had greater power and the power of the king began to weaken. The king was required to consider the Parliament's opinions when electing a cabinet, otherwise the cabinet elected had to resign. But in 1784, the Pitt Cabinet did not resign when opposed by the House of Commons but instead dissolved the House of Commons. This indicates that the power of the government was increasing. Subsequently, the situation developed in such a way that either the cabinet had to resign en bloc or the lower house had to be dissolved if the former did not enjoy the trust of the latter, but in no case could the Parliament be dissolved on two occasions. Thus the relationships between the three powers began to be gradually straightened out. France experienced five republics and two empires after the 1789 bourgeois revolution. France practiced the member system for 4 years during the First Republic, and it was not until 1875 during the Third Republic that France set up the parliamentary system. But for a long time the parliament's power was much greater than the government's, and the president did not have actual power to dissolve parliament. Therefore the French called it the "parliamentary power monopoly system." Because the parliament had too much power, the political situation could not remain stable. During the 53 years from 1873 to 1926 France witnessed 75 cabinet changes. De Gaulle severely condemned the parliamentary system for being "turbulent, weak, and incompetent." The constitution of the Fifth Republic in 1958, which was formulated according to de Gaulle's suggestions, greatly strengthened the president's power and brought about a great change in the French political system. This political system bore the characteristics of both the parliamentary and presidential systems. Some people called it a "semi-presidential system." Practice proved that this system was more suitable for France than the previous "parliamentary power monopoly system."

Third, the presidential tenure system has also undergone continuous improvement and perfecting in practice. In the beginning, countries practicing the presidential system only stipulated the length of tenure, which generally lasted for 4, 5, or 6 years; subsequently, these countries discovered that this was not adequate and felt that "no president should be allowed to run for reelection." For example, in the beginning, Mexico only provided that the president's tenure of office was 4 years but did not make it clear that the president could not stand for reelection. As a result, Porfirio Diaz was reelected president six times. Only after the people rose in revolt did

he step down. For this reason, Mexico revised its constitution in 1917 providing that the president's tenure of office was 6 years and that no president was allowed to assume office consecutively. A similar situation existed in the United States before and after World War II. Franklin Roosevelt was reelected U.S. President three times in succession. The United States revised its constitution in 1951 stipulating that "no one is permitted to be elected to the presidency more than twice." Now most Latin American countries "do not allow their presidents to run for reelection." Some African countries are also beginning to practice this system.

Like bourgeois democratic politics, socialist democratic politics has also gradually developed and improved in the course of practice.

Building Socialist Democratic Politics With Chinese Characteristics [subhead]

Having a good theoretical understanding of the national characteristics of democratic politics is of realistic importance to building Chinese democratic politics.

First, the dual nature of democratic politics makes it necessary for China's political structural reform to proceed from the fact that China is still in the initial stage of socialism. China is a socialist country under the people's democratic dictatorship, and its political system is basically good. But there are some major shortcomings in its leadership system, organizational forms, and work methods. All this finds expression in overconcentration of power, serious bureaucratic practices, and feudal habits. These are the points of departure for China to institute political structural reform and build socialist democratic politics with Chinese characteristics. Maintaining and developing our strong points and correcting and removing our shortcomings is the only correct way to realize democratic politics in China. It is wrong to negate China's political system because there are shortcomings in some of its work methods and other systems. Because Western democratic politics is fundamentally different from China's socialist democratic politics, China cannot copy it; even countries under the same system cannot copy the same type of democratic politics, because their specific conditions are different from each other.

Second, although one country cannot copy democratic politics from another country, it can use it for reference. The same type of democratic politics can be used for reference, as can different types of democratic politics. We emphasized in the past that the socialist democratic system was antagonistic to the bourgeois democratic system. This is viewing a problem in an oversimplified and absolute way and is therefore not to be recommended. The bourgeois democratic system was a step forward in comparison with the feudal autocratic system. As to some democratic methods of capitalist countries, such as the electoral system, the tenure system, and the rotation system, socialist countries can use them for reference in improving their socialist democratic system,

in the light of their own specific conditions. In addition, we can also learn from their administration and management systems. For example, their experiences in personnel management are worth studying.

We should aim at removing our shortcomings in the course of building socialist democratic politics with Chinese characteristics. We should neither copy foreign modes nor refuse foreign experience. In this way we will make better achievements.

The development and perfecting of socialist democratic politics is a gradual process. It has taken the Western bourgeoisie 200 to 300 years to build democratic politics. As the era goes forward, their democratic politics will also undergo constant changes. Socialist democratic politics is only 70 years old since its birth in the first socialist country, the Soviet Union. It has been just 38 years since China established the socialist system. Economy, politics, and culture during the initial stage of socialism determines that China needs time to reform and perfect its socialist system. This corresponds to historical logic. We should strengthen our confidence in reform and understand that there will be no way out without reform; at the same time we should also be fully aware of the prolonged and complicated nature of political structural reform. The building of democratic politics requires a long period of practice and exploration, and it would be impractical to try to accomplish it in one move.

Li Peng Chairs State Council Executive Meeting OW2906084288 Beijing XINHUA Domestic Service in Chinese 1409 GMT 28 Jun 88

[Text] Beijing, 28 Jun (XINHUA)— Premier Li Peng presided over the 11th executive meeting of the State Council today. The meeting discussed and approved in principle the "(Draft) Regulations on Pensions and Preferential Treatment for Servicemen" and the "(Draft) Regulations on Labor Protection of Women Staff and Workers." The State Council will soon promulgate the sets of regulations after they are revised according to the views set forth during the discussion on them.

Our work in giving special care and preferential treatment to servicemen is now being done according to some provisional regulations formulated in the early 1950's. Since the situation has developed, some provision of these regulations are out of date, and others cannot meet the requirements for deepening reforms. In view of this, the Ministry of Civil Affairs and the three general departments of the PLA organized a special leading group at the end of 1985 to draft regulations on pensions and preferential treatment for servicemen. The "(Draft) Regulations on Pensions and Preferential Treatment for Servicemen," deliberated at today's executive meeting of the State Council, were drawn up after several years of

effort by the draftsmen who had solicited opinions from PLA units as well as from relevant local units and departments and had repeatedly discussed and revised the draft regulations.

The executive meeting of the State Council held: Formulating a set of complete and unified basic regulations on pensions and preferential treatment for servicemen is of great significance in strengthening our national defense, supporting the building and reform of the armed forces, providing for those given special treatment, protecting their rights and interests, raising the servicemen's social status, enhancing people's awareness of national defense and of supporting the army and giving preferential treatment to families of martyrs and revolutionary servicemen. Our country has a fine tradition in giving pensions and preferential treatment to families of martyrs and servicemen. Efforts have been made in this regard in recent years. Reforms have been carried out particularly since the 3d Plenary Session of the party's 11th Central Committee, which has laid a fairly sound foundation for our work in giving pensions and preferential treatment to servicemen. A new set of regulations on pensions and preferential treatment for servicemen is now needed, and conditions for such regulations are also ripe.

Today's meeting also approved in principle the "(Draft) Regulations on Labor Protection of Women Staff and Workers." The Ministry of Labor and Personnel began in 1987 to draft these regulations and then repeatedly revised them after soliciting opinions from the public. While examining these regulations, the executive meeting held: It is necessary to formulate a new set of regulations on the basis of a study and analysis of all fragmentary regulations issued by the state on the protection of women staff and workers in order to protect their legitimate rights and interests, to reduce or surmount special difficulties encountered by them in work, to protect their health, and to promote socialist modernization.

Hu Qili Attends 'Model Citizens' Presentation
OW2806051088 Beijing XINHUA in English
1042 GMT 27 Jun 88

[Text] Beijing, June 27 (XINHUA)—One hundred and thirty-four people cited as model citizens in combating criminals received awards here today.

Among those awarded by the Propaganda Department of the Chinese Communist Party Central Committee and the Ministry of Public Security were workers, peasants, teachers, students, drivers, bus conductors, bank clerks, technicians, and party and government officials. They ranged from teenagers to people over sixty.

Attending the awards ceremony were Hu Qili, member of the Standing Committee of the Political Bureau of the CPC Central Committee, Xi Zhongxun, vice chairman of the National People's Congress Standing Committee,

Ren Jianxin, president of the Supreme People's Court, Liu Fuzhi, procurator general of the Supreme People's Procuratorate, and Wang Renzhi, head of the Propaganda Department of the CPC Central Committee.

Addressing the ceremony, State Councillor and Minister of Public Security, Wang Fang, said that the spirit of those awarded has inspired the courage of the people as a whole in combating crime and has dealt a telling blow to the arrogance of criminals. "They have made a great contribution to the maintenance of a stable social order and to the fostering of a new socialist morality," he said. Their model deeds are as "worthy of study by the people, and the police in particular," he added.

The minister described the general situation of social order nationwide as "stable." However, quite a few problems are yet to be tackled, he stated.

It is imperative to create a stable social environment, to strengthen the development of a sound socialist legal system so as to maintain social stability. "Under no circumstances should people be allowed to violate the Constitution and laws, violate publicly observed morality and virtue, endanger people and society, or disturb social stability and unity," the minister warned.

It is also imperative to rely on the people in combating criminal offenders, he stated, adding that "this is an important guarantee of the country's efforts to seek comprehensive approaches to maintaining public order."

Wang Renzhi said that the maintenance of public order cannot be left to the police, but is the duty and obligation of every citizen. All citizens should first and foremost abide by the laws, observe social morality and virtue while enhancing their responsibility and their sense of justice. They should also dare to stand up to criminals whenever the interests of the state and the collectives are infringed upon and the safety of their lives and property is endangered, he added.

Commentator Praises Citizens
HK2906071888 Beijing RENMIN RIBAO in Chinese
28 Jun 88 p 1

[Commentator's article: "The Spirit That Deserves Recommendation"]

[Text] Yesterday the CPC Propaganda Department and the Ministry of Public Security commended a number of brave, advanced individuals who had given a good account of themselves in combating criminals. This was propagating righteousness and dealing a blow to evildoers and criminals. Those commended were ordinary citizens. They stepped forward bravely and fought criminals heroically when these criminals were outrageously committing crimes, when the security of the state and the lives and property of the people were endangered, and when other people were humiliated. Some of them were

wounded, others even sacrificed their lives. Their righteous deeds have given expression to the traditional virtue of the Chinese nation and displayed the elegance of the Chinese masses in this era. Their spirit is worth propagating, studying, and commending.

As the people throughout the country are carrying out reforms, opening up to the outside world, and invigorating the economy, they wish to have an environment with a stable social order in which they can live and engage in production with ease of mind. Some evildoers and criminals will meet their selfish desires at the expense of others' lives and property. Witnessing their crimes, some people stand idly by and some avoid the scenes for the sake of their own safety. This will help foster the arrogance of criminals. Let us imagine, if everyone takes this attitude, what will become of you when a misfortune occurs? Those advanced individuals commended above are different from these people. They stood fearless and did not consider their personal gain or loss in their combat against criminals, fully displaying their high sense of responsibility for the country and the people.

To bring about an environment with a stable social order, we must exercise comprehensive management, mobilize all forces, and adopt all types of measures. Of all these, the most important is to deal powerful blows at criminals. Discovering a crime and handling it according to law is cracking down on a crime; a group of people capturing a criminal red-handed is also cracking down on a crime. When a person is made a victim by a criminal, he has the right to defend himself; other people and the victim are protected by law in their combat against the criminal. Party and government departments, public security and judicial organs, and the masses should all support the just act of combating criminals and should propagate and carry forward this spirit so as to form an excellent morality in the entire society under which helping others out of danger is glorious and refusing to do so is shameful.

CPC Officials Conduct Studies in Shandong

Tian Jiyun Views Rural Reform

SK2606033788 Jinan Shandong Provincial
Service in Mandarin 2200 GMT 25 Jun 88

[Text] Tian Jiyun, member of the Political Bureau of the CPC Central Committee and vice premier of the State Council, came to our province recently to conduct investigations and study and hold discussions with responsible comrades of the province and some city and county party committee secretaries on how to further deepen the rural reform and develop agricultural production. He went deep into towns and townships and the rural areas to hold talks with grass-roots cadres and people on matters of common concern.

Comrade Tian Jiyun said: Since the 3d Plenary Session of the 11th party Central Committee, Shandong Province has scored great achievements in rural reform and

agricultural production, and its current situation is also very good. To further develop such a good situation, it is imperative that rural reform be further deepened. We should summarize experiences continuously and have the courage to explore new ways to intensify rural reform.

He said: Shandong has coastal open areas in its eastern part, and its western part is included in the agricultural development zone of the plains of Huang He, Huai He, and Hai He, as designated by the State Council. With its long coastline and abundant resources, the province has tremendous potential and sustained strength for developing the rural economy. It should seize the good opportunity and make the best use of its favorable conditions to successfully open up and develop and should facilitate the development of the rural economy and the economy of the province as a whole.

He pointed out: It is imperative that the relationship between the development of the export-oriented economy in the coastal areas and the exploitation of inland areas be handled properly. The coastal and inland areas should cooperate closely for the purpose of mutual benefit and should make up each other's deficiencies to achieve common progress.

Speaking about the agricultural development of the Huang He, Huai He, and Hai He areas, Tian Jiyun stressed: First, we should fully arouse the initiative of the masses of peasants and adopt various measures to guide them to turn some of their consumption funds into production funds to be used in development. Second, we should carry out new developmental projects. We should pay attention to large-scale production from the outset to improve economic results. Third, we should carry out developmental projects in the same way as we do business and make proper use of funds by circulating them. Fourth, we should carry out the developmental projects in a planned and orderly manner and should avoid precipitate action. In particular, we should successfully carry out support work in the various fields.

He said: There is great room for development in the exploitation of coastal beaches. We may cultivate marine products and may also develop the salt industry and salt chemical industry. We should truly establish an economy of scale in exploiting coastal beaches so as to improve economic results.

Comrade Tian Jiyun also visited peasants in the fields to ask them about the supply of capital goods for agricultural production. He pointed out: The prices of some capital goods for agricultural production currently are rather high. The reasons for this are numerous; however, an important one is the large number of circulation links. In particular, some units and individuals are engaged in speculation and profiteering to seek huge profits. This has damaged the interests of peasants. We should resolutely check and strictly investigate and handle such illegal acts.

During his stay in Shandong, Tian Jiyun also inspected the second-phase Qilu ethylene project, which had just been put into trial operation. He also visited cadres and workers of the Qilu petrochemical company, praised them for their achievements, and encouraged them to make still greater contributions to developing our country's petrochemical industry and supporting agricultural production.

Liang Buting, secretary, and Lu Maozeng, deputy secretary of the provincial party committee; Jiang Chunyun, provincial governor; and Ma Zhongchen, provincial vice governor, accompanied Vice Premier Tian Jiyun during his investigations and study in our province and gave reports to Comrade Tian Jiyun on the work of our province.

Peng Zhen Tours Area

SK2606034588 Jinan Shandong Provincial Service in Mandarin 2200 GMT 25 Jun 88

[Text] Comrade Peng Zhen came to our province to inspect its work and conduct investigations and study from 22 to 24 June. During his stay in Jinan, Comrade Peng Zhen heard reports on Shandong's situation, economic development, reform, opening up, and party style, which were given by Liang Buting, secretary of the provincial party committee, and others. He also held cordial talks with them.

Comrade Peng Zhen said: With its rich resources and advantages in many areas, Shandong has very good trends and prospects for development. It should cooperate with other provinces and municipalities. In this way, the province's economic development will be even greater.

On the afternoon of 24 June, Comrade Peng Zhen visited the Jinan watch and clock plant and Shandong's exhibition hall of CPC history. He then went to the departments of the provincial party committee to see the Standing Committee members of the provincial party committee and personnel of the departments. Comrade Peng Zhen told them happily: I have visited Shandong several times and have witnessed new changes every time I came. He encouraged them to work in unison and lead the people throughout the province to score still greater achievements in reform, opening up, and the four modernizations.

Yan Mingfu Gives Report on United Front Work
SK2606032088 Tianjin City Service in Mandarin 2200 GMT 24 Jun 88

[Text] Yan Mingfu, member of the Secretariat of the CPC Central Committee, vice chairman of the National CPPCC Committee, and director of the United Front Work Department of the party Central Committee, gave the report "On United Front Work in the Initial Stage of

Socialism" on the morning of 24 June at a report meeting on United Front Work policies. The meeting was sponsored by our municipality for party-member leading cadres.

In his report, Comrade Yan Mingfu systematically analyzed the new situations and new patterns emerging in the United Front since the 3d Plenary Session of the 11th party Central Committee and expounded on the United Front's development and strategic tasks in the initial stage of socialism.

He said: The current strategic tasks for the United Front are to hold high the two banners of socialism and patriotism; to correctly handle and resolve the contradictions of interest of various social sectors; to unite with all forces that can be united; to mobilize all positive factors; to implement the party's basic line of one central task and two basic points; and to serve the need to facilitate the implementation of one country and two systems, reunify the motherland, carry out reform and opening up, promote the socialist material and spiritual civilizations, develop the political situation of stability and unity, and improve and develop the socialist democracy and legal system.

He urged: Party committees and governments at various levels should continue to advance the fine tradition of developing United Front Work by the entire party, include the work on their agenda, place it in a proper position, and strengthen the coordination for and guidance to it. Major responsible comrades of party committees at various levels should take the lead in doing United Front Work in an exemplary manner.

Yang Jingheng, member of the Standing Committee of the municipal party committee, also spoke at the report meeting. He called on party and government departments at various levels to intensify propaganda and education on United Front Work policies; carry out united front work by focusing on economic work; step up investigations and study; and actively explore the new methods, new situations, and new laws of united front work after party and government separation.

The report meeting, which began on 11 June, was a large-scale and high-level propaganda and education on United Front Work policies. Other leading comrades of the United Front Work Department of the party Central Committee gave special reports on the multi-party cooperation under the leadership of the Communist Party, the current Taiwan situation and our policies toward Taiwan, several questions concerning current united front work, and economic United Front Work.

Municipal leading Comrades Tan Shaowen, Yang Jianbai, Shi Jian, Zhu Wenju, Zhao Jinsheng, He Guomo, Huang Tifei, Huang Yusheng, Yang Tianshou, Yu Songting, Kang Tiejun, Chen Ruyu, Yao Jun, Wu Tingqiu, (Yu Guozhong), and (Zhou Yuliang) and veteran Comrade Zhou Ru attended the report meeting.

Li Tieying Addresses Education Symposium
OW2606051088 Beijing XINHUA Domestic Service
in Chinese 1659 GMT 25 Jun 88

[By RENMIN RIBAO reporter Zhou Qing and XINHUA reporter Zhao Wei]

[Text] Beijing, 25 Jun (XINHUA)—Speaking at a meeting of Chinese and foreign education experts, Li Tieying, state councillor and minister in charge of the State Education Commission, said today that China's educational reform has just started. The main problem of Chinese education is that it cannot keep pace with the needs in the development of the socialist commodity economy.

Li Tieying made the statement at the international symposium on restructuring higher education—a meeting which closed today. After briefing the experts on China's economic and administrative reforms during the past decade, he said: In terms of theory, administration, and institution, China's higher education is unable to keep pace with the needs of reform, opening up, and social development. Reform of higher education is urgent. The establishment of an educational system compatible with the ongoing social development is a formidable task in a big country that has 1 billion people and traditional cultures of several thousand years.

The 5-day symposium was sponsored by the State Educational Development and Policies Research Center. Attending the meeting were over 60 professors and experts engaged in the study of development and reform of higher education from the educational departments of 12 countries and regions, including Bulgaria, Federal Republic of Germany, France, India, Japan, Thailand, Britain, the United States, the Soviet Union, Yugoslavia, China, and Hong Kong. Participants at the symposium discussed policies and measures for gearing higher education to economic, scientific-technological, cultural, and social-development needs, on the basis of exchanging the basic policies and experiences of all participating countries in restructuring their higher education. They also discussed the trend of development and reform of higher education in the future.

UNESCO representatives also attended the symposium.

Li Tieying Urges Stronger Food Hygiene Laws
OW2806231688 Beijing XINHUA in English
1513 GMT 28 Jun 88

[Text] Beijing, June 28 (XINHUA)—Food hygiene standards should be more strictly enforced in China, State Councillor Li Tieying said today.

Li, addressing a conference marking the fifth anniversary of China's food hygiene law, said that despite the standards, food poisoning and intestinal diseases related to poor hygiene have never been brought under control.

Hygiene is poor in many food manufacturing factories with shabby equipment and unhealthy environment, he said.

The problem is even more serious in the free market and in private food shops.

He said some people have put false and even harmful ingredients in products in order to make money. Some have misrepresented their products in advertising.

China's food hygiene law incorporates standards followed in other countries.

And Chen Minzhang, minister of public health, said at the same meeting the law has been steadily improved and now contains more than 200 standards on food hygiene.

Health inspectors have increased, too, from 8,000 in 1982 to 18,000 in 1987.

However, Chen said, their number and their degree of expertise fall short of what the country needs.

Song Ping Urges 'Concerted Efforts' at Reform
OW2506194988 Beijing XINHUA in English
1330 GMT 25 Jun 88

[Text] Beijing, June 25 (XINHUA)—A Chinese Communist Party leader today urged the 47 million members of the party to make concerted efforts during the "critical moments of the reform".

Song Ping, member of the Political Bureau and director of the Organization Department of the party's Central Committee, said, "The reform has entered a critical stage. Many reforms which are easy to carry out have been completed, and now some difficult reforms, such as that of the price and wage system, have been put on the agenda.

"The reform is full of risks, but the whole party and whole country must unite its thinking and actions and go through this critical stage with one heart and one mind," Song said at the opening session of a national conference on the organizational work of the party.

China is still in the primary stage of socialism, he said. But during this stage, the requirements for the party members mustn't be lowered.

He pointed out that the majority of the party members have been faithfully and actively carrying out the line and policies of the party and playing a leading role in the country's modernization drive.

However, he said, a certain number of party members have a weak sense of loyalty to the party and lack of ideals due to their low political quality and lax self-discipline. Some party officials indulge in bureaucratic practices and abuse their power for personal gain.

"Although such people constitute a small portion of the party members, they are ruining the party's work style and damaging its prestige," Song said.

He stressed: "Resolute measures must be taken to get rid of such corrupt elements. We mustn't tolerate these people and allow them to destroy the reputation of the party."

Unqualified party members exist not only in rural areas, factories and schools, but also in government departments, not only among ordinary party members but also among leading personnel.

He stressed: "We must start this work right now. Party committees above the county level may carry out this work on a trial basis in the rural areas, factories, government departments and schools. This will then gradually spread after some experience is gained. We must concentrate our attention on this matter and strive for great achievements in the next two or three years," Song said.

State Councillor Ends Hong Kong, Macao Trip
OW2506082688 Beijing XINHUA in English
0718 GMT 24 Jun 88

[Text] Beijing, June 24 (XINHUA)—Ji Pengfei, director of the Hong Kong and Macao Affairs Office under the State Council returned here by train this morning after his visit to Hong Kong and Macao.

He said at the railway station his visit promoted mutual understanding and was "a complete success".

Among those who greeted him were vice-chairman of the National People's Congress Standing Committee Wang Hanbin, Portuguese Ambassador to China Octavio N. Valerio and his wife, and counsellor of the British Embassy in China Alyson J.K. [name as received]

Leaders Attend Ceremony To Mourn Liu Ruilong
OW2906014588 Beijing XINHUA Domestic Service
in Chinese 1321 GMT 23 Jun 88

[Excerpts] Beijing, 23 Jun (XINHUA)—An ash-laying ceremony for Comrade Liu Ruilong was held this afternoon at the auditorium of the Babaoshan Cemetery for Revolutionaries in Beijing. Liu Ruilong, former member of the Standing Committee of the Fifth CPPCC National Committee, member of the Sixth NPC Standing Committee, and vice minister of agriculture, died suddenly of a heart attack on 25 May 1988 at the age of 78 after overworking while chairing a national symposium on agricultural history in Guangzhou. He failed to respond to medical treatment. [passage omitted]

Wreaths were sent by Zhao Ziyang, Deng Xiaoping, Yang Shangkun, Chen Yun, Li Xiannian, Peng Zhen, Xu Xiangqian, Nie Rongzhen, Qiao Shi, Ulanhu, Tian Jiyun, Jiang Zemin, Hu Yaobang, Xiao Ke, Yang Dezhi, Peng Chong, Wei Guoqing, Chen Junsheng, Zhu Xuefan, Hu Juewen, Wang Enmao, Wang Guangying, Zhang Zhen, Xiao Jingguang, Liao Hansheng, Hu Sheng, Yang Chengwu, Li Yimang, Lei Jieqiong, Wang Heshou, Yan Jici, Lu Dingyi, Rong Yiren, Liu Lantao, Song Shilun, Ye Fei, Zhang Jingfu, Cheng Zihua, and Du Runsheng.

Li Peng, Yao Yilin, Wan Li, Wang Zhen, Qin Jiwei, Bo Yibo, Song Renqiong, Li Desheng, Yu Qiuli, Zhang Aiping, Chen Pixian, Hu Qiaomu, Duan Junyi, Huang Hua, Xi Zhongxun, Zhou Gucheng, Wang Hanbin, Wang Renzhong, Fang Yi, Gu Mu, Kang Keqing, Qian Zhengying, and Hong Xuezhi attended the ceremony.

Railway Ministry Issues Circular on Safety
OW2906005888 Beijing XINHUA Domestic Service
in Chinese 1137 GMT 22 Jun 88

[Text] Beijing, 22 Jun (XINHUA)—Since the beginning of this year, railway accidents and various incidents involving traffic safety in China's railway transportation have occurred frequently. In order to ensure safety for railway passengers, the Public Security Bureau under the Ministry of Railways issued a circular today on maintaining public order and ensuring safety in railway transportation as follows:

1. It is strictly forbidden to enter any railway station or train with dangerous articles of a combustible or explosive nature, or to smuggle or consign such dangerous articles for shipment by making false declarations.
2. It is strictly forbidden to illegally enter any railway station or train with any gun, explosive, dagger, triangular knife, switch blade, or cutting tool.
3. It is strictly forbidden to fight, commit assault and battery, gamble, insult women, engage in hooliganism, get drunk, or create a disturbance in a railway station or train.
4. It is strictly forbidden to intercept any train, damage any rail, railway station, train, communication circuits, or other railway facilities, or to illegally sell or buy railway equipment.
5. It is strictly forbidden to set up any obstacle on the rail, to occupy or wreck any railroad bed or switch, or to carry out any activity endangering railway operations, or to hurl missiles at trains.
6. It is strictly forbidden to seize or steal railway equipment or supplies.
7. It is strictly forbidden to illegally resell, alter, or fake train tickets.

8. It is forbidden to demonstrate, distribute leaflets, or arouse people to create disturbances in any railway station, to wreck the railway, interfere with normal railway operations, or disrupt public order under any pretext.

9. It is not permitted to sell or distribute any book, magazine, or propaganda material with reactionary, obscene, or inflammatory contents.

10. It is forbidden to sell foodstuffs in any railway station or on a passenger train, or to peddle items on the platform or on the train without the approval of the department concerned.

11. It is forbidden to board any train by force without a ticket or board any freight train and travel by holding on to it.

12. No one is permitted to obstruct railway security personnel from performing their official duties under any pretext. It is strictly forbidden to attack and beat up railway workers.

Those who violate the aforementioned stipulations will be handled according to railway regulations. In dealing with those who commit crimes in violation of law, public security organs must act in accordance with state laws and decrees to punish the offenders by warning or detaining them, or subjecting them to rehabilitation through labor to the extent of pursuing their criminal responsibilities. Murderers, robbers, rapists, merciless thieves, and vicious criminals who engage in hooliganism or create disturbances must be resolutely and severely punished according to law.

State Council Approves Aid to Veterans, Women
OW2806235188 Beijing XINHUA in English
1536 GMT 28 Jun 88

[Text] Beijing, June 28 (XINHUA)— A draft regulation on pensions for disabled servicemen and allowances to revolutionary martyrs' families and another draft dealing with labor protection for women workers were approved in principle by the State Council today.

The council, China's central government, is expected to issue the regulations soon after revisions are made in line with views put forward at today's meeting presided over by Premier Li Peng.

Compensation for disabled servicemen and allowances to family members of revolutionary martyrs and servicemen are based on regulations issued in the 1950s which are now considered unsuitable for the present situation.

The new regulations are expected to strengthen army building, raise the social status of servicemen, safeguard the rights and interests of pensioners, and improve people's understanding in national defense work.

Work on regulations to give female employees better protection began in 1987.

Defense Minister Discusses Defense Education
OW2806202488 Beijing XINHUA in English
0531 GMT 28 Jun 88

[Text] Beijing, June 28 (XINHUA)— Greater steps should be taken to improving people's awareness about the importance of national defense, Qin Jiwei, minister of national defense, has said.

In a letter to participants at a seminar on defense education in Sichuan Province, Qin said the media should also be encouraged to publicize the importance of national defense.

He stressed that defense education is significant not only to defending the country but also to strengthening national unity in the country's modernization drive.

Qin said that because there had been peace for a long time, many young people were unaware of the importance of maintaining national defense.

For instance, he said, some young people show no enthusiasm to serve in the Army, some military facilities have been damaged and servicemen are not getting the respect that they deserve.

Finance Ministry Grants Foreigners Tax Exemption
OW2806201488 Beijing XINHUA in English
0820 GMT 28 Jun 88

[Text] Beijing, June 28 (XINHUA)— The Ministry of Finance has worked out and issued a package of tax exemption stipulations to facilitate foreign investment in China's coastal areas, according to today's OVERSEAS EDITION of the "PEOPLE'S DAILY".

The new rules stipulate that production enterprises, technology- or knowledge-intensive projects, projects with investment of over 30 million U.S. dollars, or projects involving energy, communications and port construction will have their income tax rate reduced to 15 percent.

Moreover, local governments in these areas are granted the power to exempt foreign-invested enterprises from local income taxes.

No industrial or commercial taxes are to be levied on production or operational equipment, vehicles or office apparatus for production use, building materials, raw materials and spare parts, or products for export.

Trial planting and breeding of improved varieties of plants and fine breeds of animals imported from abroad will be exempt from any taxation for five years starting from the year the business makes a profit.

New Regulations, Taxation on Private Businesses
HK2906013388 Beijing CHINA DAILY in English
29 Jun 88 p 1

[By staff reporter Nie Lisheng]

[Text] The State is taking administrative measures to regulate the expansion of private enterprises, which have grown rapidly in size in recent years.

Yesterday the State Council published the country's first two regulations on operation management and income taxation for larger private businesses employing eight or more people.

The new regulations are aimed at promoting the private economy in accordance with the State policy of developing a diversified economic system with the publicly-owned economy maintaining a predominant position, Ren Zhonglin, Director of the State Industrial and Commercial Administration, said at a press briefing in Beijing.

China now has about 225,000 private enterprises each employing eight or more workers, he said. Their total number of hired labourers is estimated at more than 3.607 million, an average of 16 in each enterprise.

Many of these enterprises have several hundreds of thousands of yuan in capital funds, some even have more than 1 million yuan in capital, he said.

Compared with smaller private businesses in commerce, catering and service trades, these larger businesses are mostly engaged in labour-intensive industrial production, housing construction and transport, mostly in rural areas, Ren told reporters.

He said that under the new provisional regulations, rural villagers, the urban unemployed and the self employed may apply to open or run a private enterprise with eight or more hired workers.

Retired scientists and technicians or those who have resigned also will be allowed to start larger private businesses, especially in scientific research and technical consultancy services, he said.

In accordance with State laws and regulations, private enterprises may open joint ventures or co-operation businesses with foreign companies or enterprises, he said.

The regulations forbid private enterprises from engaging in the military industry and banking business, and from dealing in specified goods under State protection and monopoly such as cultural relics, jewellery, automobiles and civilian explosives.

The State Council yesterday also issued a national provisional regulation on the income taxation in larger private enterprises with eight or more hired workers.

To guarantee State revenues, private enterprises will be required to pay 35 per cent in income tax to the State plus a 7 per cent tax on after-income-tax profits to fund construction for the country's energy and transport industries, the regulation says.

The tax regulation requires private enterprises to use at least 50 per cent of their after-tax profits for production expansion, he said. A 40 per cent personal income tax will be levied on the amount private enterprises spend on personal living costs.

Li Peng Signs Private Enterprise Regulations
OW2906132988 Beijing XINHUA Domestic Chinese
0047 GMT 28 Jun 88

[Text] Beijing, 28 Jun (XINHUA)— On 25 June, Premier Li Peng signed the Nos 4, 5, and 6 State Council Decrees, approving the promulgation of the "Provisional Regulations of the PRC Governing Private Enterprises," the "Provisional Regulations of the PRC Governing Private Enterprises' Income Taxes," and the "Rules of the State Council on Collecting Regulatory Taxes from Individual Investors of Private Enterprises."

These three regulations and rules were approved by the Seventh Executive meeting of the State Council on 3 June 1988.

Today XINHUA transmitted the three State Council decrees and the full texts of the regulations and rules.

Commentator on Necessity of Price Reform
HK2806060788 Beijing JINGJI RIBAO in Chinese
10 Jun 88 p 1

[Commentator's article: "A 'Hard Bone' That Must Be Gnawed—Third Commentary on Establishing a New Order of Socialist Commodity Economy"]

[Text] Rationalizing the price structure is a hard bone that we must gnaw in reform. So, how we should treat and understand all around price reform has also become the focus of the people's discussions during the reforms.

It is normal that there are various comments. The price issue is related to the interests of the general public and has a bearing on the national economy. No one can dodge this issue, and everyone is concerned about it. People are most concerned with, and also most familiar with, the price issue, and it has attracted most comment. Some people said: Why should the price system be changed? Weren't things before the changes rather good? Some people said that reform might cause price rises, and price rises might get out of control. Some people are worried that this is inflation, a crisis.

For the first question, we usually quote two points to convince ourselves. First, the price scissors between industrial and agricultural products are widening, and without reform, we will not be able to protect the peasants' production enthusiasm. Second, the state has to increase subsidies, and this further strains the limited state finances, which cannot meet the needs of economic development, and will eventually slow down economic development. Of course, we can find more profound reasons than these two points. First, in the past, we could do without price reform. This was just a superficial phenomenon, which was supported by the subsidies and maintained by the planned supply on rations. They covered up the essence of shortage. The balance between supply and demand was maintained at a low level. Once the living standards were raised, the contradiction became outstanding. Two years ago, as our production increased, we thought that we might overcome shortages once and for all, but that was merely wishful thinking. The law of value cannot be neglected, and it will always play a role. Second, the old price structure was formed in the closed planned economy. The prices were not really prices, and they did not reflect the market reality. Now, we are developing an open commodity economy, and the defects of the old price structure are becoming more prominent, because it distorted and disturbed the normal functions of the law of value. In these circumstances, the old price structure is similar to improper administrative measures, which must be thoroughly changed.

Some people may say that if we did not carry out reform, there would be no such contradiction. This is obviously a misunderstanding. Price distortion is an objective fact. Reform did not intensify the price contradiction; instead, reform just fully exposed this contradiction, and opened a way to solve it. We can say that rationalizing the prices is a new step for reform and is also a new step for economic development.

The second question is whether reform will cause price rises. This is not always true. At present, prices are tending to rise because goods are in short supply and the old prices were too low. After market regulatory mechanisms are perfected, prices will rise and fall. Therefore, worries about the price rise getting out of control are uncalled-for. In fact, price reform did not begin only recently. The "double-track system" had already existed for some time. The "double-track system" had its own contradictions, but it laid a foundation for the all around price reform. People noticed that under the "double-track system," commodity exchanges were conducted more and more through markets, and planned transfer was gradually phased out in many fields. If prices are decontrolled generally, this will not add more burdens to producers and consumers; instead, it will just become unfavorable to the intermediate links which reap profits through reselling the goods. This will help more effectively control price rises and realize market regulation. Now, most of our economic activities are involved in market regulation, and our economy has a certain endurance capacity. Maybe, this is the reality around us, and

we still do not realize it. Of course, we should take measures to prevent things from getting out of control, and should also study the methods of preventing monopoly so as to create some market competition mechanisms.

As for inflation, under present conditions, it exists to different degrees, but this is not a crisis. Reform has to pay certain costs, and economic development also has to pay some costs. Difficulties will exist in the course of reform, but they are not caused by the reform, still less are they the final results of the reform. If we think carefully, we find that the appearance of a new problem often reflects the development and advance of things. For example, we succeeded in taking the first step in our rural reforms, then we came up against the question of how to take the second step. We do not ascribe the problems in the second step to the results of first step. Now, the urban and rural reforms are both encountering the price problem, and the appearance of the new contradiction should also be regarded as the result of the advance of things after the old contradiction is solved. At present, many new problems have appeared since the reforms succeeded, and the settlements of these problems will lead to other new problems. This is a movement of contradictions. If we regard the problems as a failure or a crisis, our thought processes are wrong.

In short, no matter how great the risks and how great the costs, we must gnaw at the hard bone of reforming the price structure; otherwise, our reforms in the past 10 years will not reach final success, and the building of the new order of the socialist commodity economy will just be empty talk. We should notice that although there are many difficulties, we still have many favorable conditions. The most important fact is that our reform cannon has blasted away the fortress of the old systems, and has opened a new road. The vanguards have controlled the commanding heights in the commodity economy, and the vast number of reinforcements are advancing to storm other fortified points. At this crucial juncture, can we stop halfway? Can we backtrack to the old path? The answer is obvious to everyone. We should firmly believe that the general public can fully understanding the necessity and bright prospects of the price reform, and will certainly make concerted efforts with one heart and one mind and will select the best option.

Daily Calls for Stop to Alternate Price Increases
HK2506083288 Beijing RENMIN RIBAO
in Chinese 13 Jun 88 p 5

[Article by Luo Jingfen (5012 4737 1164): "Prevent Alternate Commodity Price Increases"]

[Text] In recent years, a very abnormal phenomenon has occurred in the commodity exchange activities in our country. Many production operators vie with one another to utilize both legal and illegal means to increase commodity prices on various pretexts. People in the circulation links in the middle, who resell commodities

by increasing their prices again and again, have made considerable profits. Commodities whose prices are increased include those low-price commodities which are in short supply, a number of commodities whose prices are not low, famous-brand and high-quality commodities, and other nonfamous brand high-quality commodities.

Overall price increase is not an inevitable phenomenon in a society of commodity economy. In a modern society of commodity economy, and in some countries which effectively implement monetary and financial policies, when production operators face the problem of a price increase in raw and processed materials, to maintain the competitiveness of their products in the market, generally speaking they, first of all, do everything possible to improve their production operation, improve their technology, enhance their labor productivity, lower production costs through the reduction of consumption, and do their best to offset the loss caused by the price increase of raw and process materials to ensure that the prices of their products remain unchanged, or increase only by a small margin. In the face of competition between commodity producers, consumers have greater choice. If the prices of the products of certain manufacturers increase drastically, they will be treated coldly, or damaged on the markets. It is those production operators who will suffer. Under such social and economic conditions, generally speaking, neither arbitrary price increase nor price soar will occur, in spite of the fact that prices are freed. At present, in our country such relaxed market conditions and competitive enterprise mechanisms have not yet occurred. If we mechanically copy the free price policy of the modern society of commodity economy, this will cause price soar. It is impossible for us to explain such price hike clearly by simply basing our arguments on structural change.

While carrying out price reform, we should prevent alternate commodity price increase. Reviewing our price reform over the past few years, we find out that the prices of agricultural products and primary products increased first. They were followed by products with agricultural products as their raw materials, and processing industrial products in general. The margin of increase was fairly big. Through such a circle, the prices of primary products such as agricultural products, energy, and so on were still on the low side of the figure. In 1987, the state neither took any planned action to readjust price parity of commodities, nor adopted any important measures aimed at price reform. However, the prices of various kinds of commodities continued to increase successively. At present, the prices of agricultural products, grain in particular, are still comparatively low in comparison with their effects and benefits. Enterprises in the coal and petroleum extracting industries have begun to suffer heavy losses. Under such circumstances, it is necessary to change the comparatively low price of grain and energy. In the future, if the price increase of agricultural products and extractive industrial products due to the rise in production costs can be

basically offset by the reduction of production costs of those follow-up products, of those extensive processing products in particular, the margin of price increase of agricultural products and extractive industrial products will gradually become smaller, and price increase can be curbed, and the relative prices of various kinds of commodities will gradually become rational. This is, of course, a good thing. However, if a new circle of price increases occurs, which is followed by the rise in commodity prices and wages, this can only be harmful to the economic construction of the state, reform, opening up, and the enhancement of our people's living standard. Here, the key lies in the fact that the basic point of our policy must not be placed on the illusion that inflation can stimulate economic development. Once our national economy is plagued by serious inflation, prices will run wild, and can no longer be controlled.

We should not equate straightening out price relationships with the extensive price increases by a big margin. The so-called straightening out price relationships means that we should ensure that the relative prices of various kinds of commodities must be generally rational. Of course, ensuring generally rational prices does not simply mean that various kinds of commodities must be exchanged at equal value in accordance with their respective magnitude of value. If there is a state tax revenue system, and the state levies indirect taxes on commodities in the intermediate links, exchange at equal value cannot exist generally. For example, the exchange between high-tax commodities (such as cigarettes, wine, and certain luxuries) and negative-tax commodities (such as certain foods), which are subsidized by the state, is not exchange at equal value. The relatively rational prices mean the socially necessary labor invested by the production operators in the course of manufacturing certain commodities will ensure that the production operators will earn roughly the same incomes as other production operators who invest the same amount of socially necessary labor in manufacturing other kinds of commodities. Of course, such relative prices are not fixed and unchangeable. With scientific and technical progress, and the changes in natural conditions and market demand, the socially necessary labor invested by people in manufacturing certain commodities will change, and so will the relative prices. Under such circumstances, it is most ideal if we can push prices of some commodities up, and pull the prices of some other commodities down through price readjustment. But in actual work, it is comparatively difficult for us to do so. Most commodity producers are reluctant to reduce the prices of their products. Therefore, under most circumstances, prices of some commodities, which should be lowered are not reduced, whereas the prices of some other products, which should be increased, increase by a bigger margin. As far as the margin of increase is concerned, generally speaking, it should arouse the enthusiasm of those workers and staff members who are engaged in agriculture and extractive industry so that reproduction in agriculture and extractive industry can be continued. In the meantime, it should also be ensured

that part of the price increase of the agricultural and extractive industrial products can be offset by the follow-up products by stages, so that the trends of price increase can be gradually curbed, and their relative prices will gradually become rational. Due to the fact that the changes in the magnitude of value of commodities are gradual and in due order, the continued changes in such relative prices, namely the structural readjustment of prices, are going on under the conditions of the commodity price stability in general, or in the course of its gradual increase. This can prevent a great shock in economic life. As far as international experience is concerned, we know that in a country where macroscopic economic management is effectively carried out, the margin of annual increase of the general commodity price level of this nature is about 2 to 3 percent. In our country, due to the fact that the price ratio between agricultural products and primary products, and processing industrial products is too big, and that our prices fixed by the state planning are valid for several years, and that the efforts are scarcely made to readjust them constantly in light of the changing conditions, in the course of readjusting price mechanism, it is unavoidable that the margin of increase of the general commodity price level will be higher than 2 to 3 percent. However, the percentage of increase must not be too high. Some people think that it is appropriate to have an annual increase of 4 to 5 percent. Some other people believe that in recent years it is difficult to reduce at one go the present level by 4 to 5 percent. We should realize that commodity price increase of this nature and the relatively small increase in money supply is beneficial to economic development. However, if we practice using inflation to stimulate economic development as our guiding thinking, this will cause an excessive monetary issue, and a drastic monetary devaluation. The margin of price increase will exceed 4 or 5 percent. The situation will then be entirely different. The drastic changes in commodity prices will give a wrong sign to both producers and consumers. Producers will vie with one another to push commodity prices up. The prices of some products, which should be lowered down, also go up one after another. Under such circumstances, it is difficult to straighten out prices. Furthermore, the price parity might become more irrational.

At present, our economy is in a state of moderate inflation. Over the past few years, the amount of our monetary issue (cash plus deposits for the transfer and settlement of accounts) has far exceeded the growth of our GNP. Of late, there are signs which show that the amount of money supply in the society is truly too excessive. The continuous money supply for several years running has exceeded the demand of the circulation of social commodities. This is a fundamental reason contributing to the increase of commodity price by a big margin in recent years. This will continue to affect the situation of commodity prices for a period of time in the future. For this reason, this matter merits our close attention.

In a word, my view is: Due to scientific and technical progress, changes in national conditions, the freeing of prices formerly fixed by long-term state planning, and price fluctuation on the international market, it is necessary to readjust the structure of our commodity prices. It is a normal phenomenon that the general commodity price level is slightly pushed upward due to this readjustment. This is mainly reflected in the price increase of agricultural products and extractive industrial products. But the prices of processing industrial products will basically remain stable. Of course, the price index of consumer goods will increase, and compensation must be given to residents through various channels and various forms in order to maintain the stability of the society. In this process, efforts must be made to take forceful measures to avoid, or overcome the excessive money supply. Efforts must also be made to further improve and reform the operative mechanism of enterprises in order to prevent various abnormal phenomena of alternate commodity price increases. Only in so doing can we attain the goal of price reform, and ensure sustained growth of the national economy, and the gradual enhancement of the social and economic effects and benefits.

Official on Ideas, Options in Price Reform

HK2906033388 Hong Kong WEN WEI PO in Chinese
29 Jun 88 p 3

["Special Feature": Article by Tian Yuan (3944 3293), Permanent Executive of the State Council Development Research Center: "Ideas and Options in Price Reforms"]

[Text] Price is a balance mechanism in the commodity economy, and price can regulate the distribution of social resources through affecting the interests of various economic entities. In the economic activities of a country which pursues a market economy, price plays a role in a wide scope. Not only are microeconomic activities guided by price, but the changes in the macroeconomic structure also, to a rather large degree, depend on the price parities between various commodities. In the countries whose economies were based on central planning for a long time, price only acted as a tool for accounting, and could not act as a major parameter for regulating the distribution of resources. Rather than price, the distribution of resources was regulated by the mandatory plans laid down by the state authorities. The function of price was restrained, and many prices were frozen for a long time. For this reason, the socialist countries whose economies were based on central planning for a long time generally face the problem of a distorted price structure, which may also give rise to other new problems, such as the excessive government subsidies and a lopsided economic structure. So the price problem has seriously hindered the development of the national economy and the enhancement of the economic results.

The economic reforms in the socialist countries mainly include two major tasks: First, to solve the issue of rationalizing the economic operational mechanisms; and

second, to reform the property ownership system. The price reform is a major part of the reform of the economic operational mechanisms. The task of the price reform is to rationalize various price parities and rationalize the price forming mechanisms. In view of the situation in the early stage of China's reforms, various price parities, or the price structure in general, were seriously distorted. This mainly found expression in the fact that the prices of farm products, energy products, and many major raw materials were too low, and the prices of manufactured goods and light industrial products were too high. In a mandatory planned economy, such distortion of the price structure could not produce a major influence on the distribution of resources in the whole country. However, in the course of economic reforms, the scope of mandatory planning is gradually narrowed; the interests of the enterprises are linked with their business results and profits; the interests of localities are also linked with local revenues; and the rural economy is based on the economic activities of individual peasant households. All this in fact has pluralized the economic interests in society. Various economic entities have become much more sensitive to the price signals, and the price structure more and more heavily influences the distribution of resources throughout the country. Under these new conditions, if we continue to use administrative means to maintain the unreasonable old price structure, this will inevitably cause the distortion of the economic structure. That is to say, if the price of a certain commodity is too low, the trade that produces this commodity will not be able to obtain adequate input of resources, then shortages will appear; on the other hand, if the price of a certain commodity is too high, excessive resources will flow to the trade that produces this commodity and will give rise to oversupply of this commodity. If the resources distribution pattern leads to the coexistence of shortage and oversupply, the general output capacity of the economy will be lowered.

In the early stage of the economic reforms, many domestic and foreign economists pointed out the great importance of the price reform. The Chinese Government began to deal with the unreasonable prices of farm products in 1978. In the past 10 years, price reforms on different scales were carried out almost every year. In this process, the prices of some commodities have been decontrolled. For example, the prices of various agricultural products apart from those ordered and purchased by the state, various industrial raw materials outside the state plan, and various manufactured goods and small commodities are allowed to freely rise and fall according to the market force. According to rough estimates, the prices of nearly half of all products in society are decontrolled, and the prices of the remaining products are still controlled by government departments in charge at various levels. The characteristics of the price parities of these two categories of commodities are quite different. In general, if the prices are decontrolled, the producers can reap better profits; and if the prices remain under control, the profits earned by the producers are relatively low. In other words, decontrolled prices are higher, and

prices under control are lower. A major task in the in-depth price reform in China is to solve the unreasonable price parity between these two types of products.

In the second decade of our economic reforms, we should fulfill the task of price reform. The prices in such monopolized trades as railway transport and electrical power should be adjusted to a level that can attract investment. At the same time, the prices of related products, such as the price of coal, should also be adjusted correspondingly so as to prevent new price distortions. The price forming mechanisms for grain and other agricultural products should be rationalized, the prices of other products should be determined by the market force.

Under China's present conditions, price reform is faced with two major obstacles. First, the rise in the prices of industrial production materials will raise production costs in a wide scope. Then a large number of enterprises which previously depended on low cost raw materials will face the threats of running in the red or going bankrupt. They cannot stand the pressure caused by the rise in the material prices. In recent years, in the course of price reforms, in order to maintain the existence of these enterprises, the state has taken various financial measures, such as reducing taxes, leaving more profits with them, and giving them financial subsidies. However, the financial capacity of the state is rather limited, and these measures often restrain the advances of the price reform. In the past 2 years, in order to design some new mechanisms which can help the enterprises increase their capacity of standing the price rise pressure while advancing the price reform, some domestic economists have put forward the theory of using assets to offset the pressure of price rises, and in practice have widely adopted the method of having superior enterprises merge with inferior enterprises. It seems that it is a new way to let enterprises which incur losses or fall to the brink of bankruptcy be merged by healthy enterprises rather than using the financial measures of tax reduction and profit retention to maintain their existence. This will adjust the property right structure among various owners. Second, inflation also hinders price reform. In China, the adjustment of the price structure and the change of indirect subsidies into direct subsidies will also cause a rise in the general price level, this is different from the price rise caused by the excessive currency issuance. However, for the consumers, no matter whether it is inflation or price adjustment, the price rises affect their livelihood and devalue their incomes. The social capacity of standing the price rises is very limited. Under China's present conditions, it is hard for the public to accept the 7 to 10 percent price rise several years running. In the last 3 years, prices have risen by 23 percent, and a major reason is that inflation has appeared in our economic life. Price rises have caused extensive complaints and discontent among the people. Some people have found that their actual living standards are declining. In the course of reform, the state must give consideration to what the people are able to

bear. While dealing with the unreasonable price structure, the state must also prevent sharp price rise. A key issue is to solve the problem of inflation caused by the excessive currency issuance. Without solving the problem of inflation, the price reform will be turned into endless price rises. Serious attention must be paid to this issue.

In short, in the course of China's economic reforms, price reform is a major task, which can be delayed but cannot be dodged. We should create more favorable conditions for price reform in various aspects, and try to rationalize the prices at an earlier date if the conditions allow us to do so. At the same time, we should also solve wage problems and push the national economy onto a benign cycle by shaking off the structural distortions.

'Letter' on Submitting Reform Plans to People
HK2506085788 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 24, 13 Jun 88 p 1

["Letter From Beijing" by Bao Xin (7637 0207): "Let the People Know the Price for Reforms"]

[Text] Dear Friend:

In my last letter, I informed you of the latest news—that is, the party Central Committee has decided to deal with tough issues as reforms enter a crucial period. That letter was written on 28 May and has yet to be published. Meanwhile, new developments have since taken place: The Political Bureau of the CPC Central Committee held a plenary session from 30 May to 1 June and decided that, as the reforms enter a crucial stage, it is necessary to deal vigorously and steadily with unavoidable reform issues. Evidently, after a certain period of deliberation, the party Central Committee's decision was submitted to the Political Bureau for serious discussion and will soon be implemented. Now, I would like to talk more about an important issue in this battle against the tough issues: how to mobilize the people from all sectors to contribute their suggestions and views, to work together, to coordinate all steps, and to persist in arduous struggle in order to achieve success in the reforms.

This question has already been given much emphasis by the party Central Committee. I suppose you must have taken note of Deng Xiaoping's remarks during a meeting with foreign visitors on 3 June, in which he touched on this point: "As long as we explain things clearly to the people, the people will accept the government's decisions." Hence, it is evident that a clear explanation to the people is very vital.

Why? Because prices and wages affect all kinds of interlocking relations in society. Adjustment of prices and wages means, in effect, the adjustment of such relations. And the adjustment of the price and wage systems cannot be accomplished in a single move; rather, it will require an orderly and gradual process. Consequently, unless the people from various sectors understand the objectives and

steps and other issues involved in these reforms which affect thousands and thousands of households, they cannot possibly withstand the assault of these reforms. This may be likened to riding a train: If we are to take the train from Beijing to Shanghai, then we need to know the timetable before boarding the train—the times of arrival in Tianjin, Jinan, Nanjing, Shanghai. We will also need to know the ticket prices—the price of the ticket to Shanghai, the price for a seat and for a sleeping berth. If we know nothing about these things, then we will not dare take the train, and even if we did, we would be extremely uneasy during the journey.

In making its decision to tackle the difficult issues of price, wage, and labor systems, the party Central Committee took into consideration the problem of social psychology, as well as the people's absorption ability, and adopted corresponding measures.

Early last year, the State Council arranged for nine units, including the Chinese Academy for Social Sciences, Beijing University, the Chinese People's University, the CPC Central Party School, and others to draw up separate drafts on the "three-five-eight program" related to China's economic structural reform. The so-called "three-five-eight program" refers to the division of the period from 1988 to 1995 into three stages, namely, the 3d year, 5th year, and 8th year, as well as the designation of corresponding objectives and measures for each period. These units are working day and night to complete their respective programs. Later, the various programs will be discussed; their pros and cons evaluated; if possible, the merits of each draft combined; and, after further deliberations, a systematic blueprint of reform formulated.

Once this systematic blueprint for reform is formulated, then it must be presented and explained to the people: At a certain stage, prices and wages will be like this and that.... The reason for taking such a step is the experience of 9 years of domestic reforms as well as the experiences of other socialist states that are also carrying out reforms. As far as domestic experiences are concerned, when certain temporary measures were adopted in the earlier phase of the price and wage reforms, the people were then psychologically unprepared and had the uncertain feeling of not knowing what the next day would bring. As for the experiences of other socialist states, such as Poland's price reform, the authorities there outlined a three-stage reform program which was then put to a vote by the people. This move thus minimized any possible resistance to reforms. In the coming years, as the scope of China's reforms in prices, wages, and other issues expands and their social effects grow accordingly, there will obviously be a greater need to submit reform programs to the people for discussion.

Actually, the people are understanding. Once they see the overall picture of reforms, even if they will have to pay a certain price—as one needs to pay a price to take the train to Shanghai—they will most willingly do so in

order to achieve economic growth and a higher standard of living. There is an old saying: better a short pain than protracted suffering. The people are well aware of this truth.

Respectfully yours,

Bao Xin

4 Jun

Food Market Stable Despite Recent Price Hikes
OW2806232088 Beijing XINHUA in English
1520 GMT 28 Jun 88

[Text] Beijing, June 28 (XINHUA)— The market for major non-staple foods has remained stable through most of China since April when prices were raised on pork, eggs, sugar and vegetables.

According to the State Statistics Bureau, there are now more varieties of vegetables on the market and the supplies of eggs have been sufficient to meet a slightly higher demand.

Egg prices went up the least amount of the four categories and consumers are beginning to include eggs more in their diet as indicated by May's eggs sales of 67,000 tons, up 6.3 percent over the same month last year.

Vegetables prices rose more substantially. In May, vegetable prices in 32 large and medium-sized cities increased by 21.4 percent from the previous May.

Because the free markets offer fresher produce, they have become the major source of vegetables for urban residents.

In the same 32 cities, the retail price of pork was 28.7 percent higher than the previous May and has resulted in a decline in sales.

The month's sales of pigs— 7.289 million— was 16.6 percent lower than last May's.

Sugar sales declined 4.1 percent compared with May, 1987, and the supply is still short of demand.

State-owned enterprises and institutions have provided subsidies to employees to offset the price increases.

Importance of Stable Currency Stressed
HK2506081588 Beijing GUANGMING RIBAO
in Chinese 4 Jun 88 p 3

[Article by Zhao Haikuan (6392 3189 1401) and Zhu Suzhen (2621 5685 5271): "Stabilizing Currency Is an Important Guarantee for Developing the Economy"]

[Text] Our country's present economic situation is very good and its economy is developing at a fairly high, normal, and sound rate. What the people are currently concerned about is the issue of prices. Excessively rapid price increases are detrimental to both the smooth progress of economic reform and the long-term and steady growth of the economy. Therefore, to deepen economic reform and to ensure the long-term and steady growth of the economy, it is necessary to eliminate the various factors for inflation in our economy and to keep our currency stable.

The Reasons for the Current Price Hikes Are Many Faceted but if the Issuance of Currency Does Not Exceed Economic Rates, There Can Hardly Be Sustained and Universal Price Rises [subhead]

The factors that may possibly lead to price hikes up in our economy can be summed up roughly into the following categories: 1) The cost-stimulated factor. It is manifested in the fact that the increases in the price of raw and semifinished materials and in labor costs stimulate rises in the prices of manufactured goods. 2) The foreign exchange alteration factor. It finds expression in the fact that foreign exchange alterations significantly hike the prices of imported commodities, thus boosting the costs for the products domestically assembled or re-processed. 3) The structural factor. It is expressed in the fact that while the supply of some products falls short of demand, other products are unsalable. The prices of the former are on the rise but those of the latter are not declining and instead they are even increasing as are the former. 4) The demand-generated factor. It is embodied in the fact that society's increasingly strained total supply resulting from the limited availability of resources can hardly satisfy its increasingly expanding total demand resulting from inflated investment and consumption. The four factors mentioned above have played a role alternately in hiking the prices in our country and the factor that generates demand due to the overissuance of currency and the outstripping of total supply by total demand always occupies a leading position. Presently nearly everyone is focusing on the question of excessively rapid price rises but a considerable number of people do not realize that price increases have direct connections with the issuance of currency that exceeds economic rates and refuse to acknowledge that inflation is the source of this price rise. Therefore, they do not agree with strictly controlling the issuance of currency and reducing society's total demand but instead, they advocate increasing the fund supply for departments running short of funds and materials and solving the above question by readjusting the structure of production. It cannot be denied that the structural

factor has become one of the main factors causing price rises in our country. To eliminate this structural factor, it is, therefore, necessary to readjust the industrial policy. However, when there is inflation, it is not only difficult but also completely impossible to make such a readjustment. Take the prices of farm and sideline products which people are most concerned about for example. From 1979 when reform was started to date, quite big readjustments have repeatedly been made in the prices of farm and sideline products. In the initial stage of each price readjustment, the supply of farm and sideline products increased noticeably and the market was relatively stable. However, the effect of every readjustment could hardly last long. This is mainly because the benefits brought about by price readjustments to the peasants were soon offset by the increases in the prices of other commodities, in particular, capital goods for agricultural production. Hence, the prices of farm and sideline products once again became relatively distorted.

The structural readjustment stressed by the industrial policy is no more than mobilization of various resources to key departments. In our country, there are only two ways to mobilize resources: mandatory planning and market prices. Now that mandatory planning is no longer used as the key measure, when prices are relatively twisted, how can we hope that agricultural departments will generate a rapid growth in supply? The development of agriculture since 1984 has not been entirely satisfactory. True, the reasons behind this state of affairs are many faceted, but one of the important reasons is our neglect of the fact that a universal price rise once again distorted the prices of farm produce. Let us suppose, if there is no inflation and no price spiral in various departments' products, it can be asserted that the contradiction between the supply and demand of farm produce will not develop to the extent that it has today even if we adopt no other measures.

Many Countries Once Used Inflation as a Means To Develop Their Economies but Most Failed To Achieve the Hoped-For Results. In China, Inflation Cannot Tap Society's Potentials in Resources. [subhe. ']

In the 1970's, Latin American countries, such as Brazil and Mexico, and Asia's four little dragons (Singapore, South Korea, and China's Taiwan and Hong Kong areas) were on a par with one another, with their economies growing at an average rate of 6 to 9 percent a year. In the 1980's, however, while Asia's four little dragons maintained their momentum of economic growth, Brazil, Mexico, and other countries fell into dire straits from which they found it difficult to extricate themselves. The reason for this rise and fall lies in the stability of the currency. Such countries as Brazil and Mexico took a laissez-faire attitude toward price rises and even purposely adopted an inflationary policy. As a consequence, prices rose at a two- and even three-digit rate. On the other hand, Asia's four little dragons adopted a prudent policy toward the problem of price fluctuations arising in the course of economic development and persisted in

implementing a stable-currency policy. As a result, price increase rates declined year after year. In the last few years, their price rises have continuously stayed at the 2-3 percent level. The experiences, both positive and negative, have proved that only when currency is stable can a sustained and steady economic growth be ensured. Otherwise, even though economic growth rates can be nominally maintained temporarily, they will ultimately fall. Thus, most Latin American economists have been convinced that the past practice of regarding currency inflation as a means to achieve economic growth is a big error.

True, in the course of the economic development of some Western industrialized countries, an inflationary policy played a role, but with a concrete analysis of the situations of these countries, we can find that promoting economic growth using an inflationary policy calls for strict checking factors. Even if we ignore the longstanding negative effect the inflationary policy brings to society's political and economic life and just proceed from a viewpoint of maintaining a medium- and short-term economic growth, two prerequisites are necessary for adopting an inflationary policy. One is that there are usable idle resources in society and inadequate effective demand; the other is that the general public has a money illusion. Under these circumstances, with the inflationary policy, idle resources can be put to better use by boosting effective demand and forced savings put into effect by using the effect of money illusion. Some Western industrialized countries gained some positive results in pursuing an inflationary policy in the 1960's, mainly because they already had the two above-mentioned prerequisites. However, the continued implementation of the policy by these same countries in the 1970's resulted in economic stagnation, because their economies no longer had the two prerequisites. In the 1980's, Western industrialized countries have universally discarded the policy of stimulating the economy using inflation. This is no coincidence, because with the disappearance of the two prerequisites mentioned above, there is no more room for choice and use of the inflationary policy.

In our country's economic life, inflated investment is a longstanding problem. There are serious shortages in communications, energy, and other construction materials. Although there are materials kept in stock by some departments, most are inferior in quality and highly priced and they cannot be mobilized and used when there are long-standing shortages in construction materials. Therefore, in our country there is no condition for us to mobilize idle resources using inflation.

Money illusion existed before the economic structural reform in our country. In the past our country planned prices. Although total demand had outstripped total supply for a long time, prices were kept stable by limiting people's demand through the control of the supply of some commodities based on coupons or certificates. Under these circumstances, so long as money income increases, market supply will improve and prices will

slightly rise. This is acceptable to the public. When a money illusion exists, society has greater capability to withstand inflation; when it evaporates, society's capability to withstand inflation will rapidly decline. As a psychological reflection, the money illusion cannot last long which is the main reason why the inflationary policy should not be used for the long term. In the early stage of reform, the money illusion existing in our society was the result of the practice of low wages and prices over the last 3 decades. In the last 9 years of reform, price changes have eliminated this illusion to a considerable extent. In the situation in which the money illusion has ceased to function, if economic growth is stimulated by increasing the issuance of currency and raising prices, producers and consumers will readjust their economic behaviors in different ways and strive for appropriate compensation. Thus, not only can the inflationary policy not achieve the goal of concentrating funds and accelerating the pace of economic construction but more often than not, it will thwart the steady growth of the economy as the normal social and economic behaviors are upset.

Inflation Is Detrimental to the Stable Growth of Our Country's Economy and the Smooth Progress of the Structural Reform and Keeping Currency Stable Must Become One of the Most Important Macroeconomic Policies. [subhead]

To solve thoroughly the problem of price rises in our country and to ensure the long-term and steady growth of the economy, we should adopt the following measures, starting with the regulation of money supply..

1. It is necessary to foster the idea of stabilizing currency. Stabilization of currency is the key to ensuring the stable growth of the economy. Only when construction is carried out on the condition that currency is stable can material supply be ensured and proportional relations between major economic sectors be harmonized. Although there is no "great leap forward" to speak of in this regard, from a long-term point of view, the economy will grow at a fairly impressive rate. Conversely, when currency is not stable, although more construction projects may be undertaken, as the amount of resources which can be used in a given period is fixed, undertaking more projects will strain the supply of construction materials and delay the timely completion of the state's key development projects as there is no guarantee of necessary materials, energy, and transport and communications. Therefore, all economic policy makers and economic workers must clearly understand: We should not carry out construction by relying on issuing more currency and concentrate on speed at the expense of currency stabilization. Otherwise, we are bound to lose more than we gain in terms of economic results and our haste will lead us to nowhere in terms of growth rates.

2. It is imperative to appropriately tighten money supply. The core of price reform is to harmonize the price ratio between different commodities so as to promote the expansion of production. However, whether this goal

of price reform can be achieved hinges, to a great extent, on how well money supply is tightened or relaxed. When currency is stable and society's monetary purchasing power and its capability to churn out and supply the market with products increase synchronously, the successive formulation of a number of price reform propositions every year will help gradually rationalize the price system. If we adopt an inflationary money supply policy and let society's monetary purchasing power tremendously exceed the real growth of production, then, price reform will surely turn into a simple price hike. Moreover, a spiralling price rise will throw price reform into the abyss of various contradictions. Neither price deregulation nor price control can thus be expected. Therefore, while price restrictions are lifted, attention should be paid to appropriately tightening money supply. If money supply is not put under strict control, no genuine price deregulation will ever be achieved. When loosening controls over the prices of some major commodities this year, we should pay particular attention to this question. Otherwise, current price levels will become government-controlled price levels several years hence and price reform will have to be restarted.

3. It is essential to reform the monetary issue management structure. At present, the issuance of currency in our country is controlled by the departments in charge of economic construction, which are both units that need funds for economic construction and that manage the issuance of currency, simultaneously assuming the functions to carry out economic construction and to maintain currency at a stable level. This monetary issue management structure lacks a necessary internal restrictive mechanism. Especially when there are constant construction fund shortages, it is very difficult to avoid solving the question of fund shortages by issuing more banknotes. Hence, there is the possibility of currency inflation. To ensure the long stability of currency, we suggest the right to issue currency be handed over to the Standing Committee of the PRC, which determines the amount of money to be put into circulation every year and entrusts the People's Bank with the task of its implementation. In performing the task, the People's Bank should be relatively independent and free from the intervention of other government departments but subject to the restrictions imposed by the Standing Committee of the PRC. It shall not break the ceilings as stipulated by the task without approval. This will help government departments attend to their own duties and our country's monetary issue management structure to move away from the rule of man to the rule of law.

4. Efforts should be made to perfect the monetary policy regulatory mechanism. In the last few years, although various bank departments have done a lot of work in initiating and perfecting the monetary policy regulatory mechanism, there are still problems of "tightening kills initiative," "loosening causes disorder," and "uniformity is demanded in solving different problems" in the course of implementing the monetary policy. They

are the result of our country's various imperfect statistical rules and regulations and of the central bank's unitary policy and a lack of other means to coordinate the policy. With the gradual deepening of financial reforms and the opening of money markets, the central bank is encouraged to run open market-related businesses, to provide financial institutions with funds or to absorb their superfluous funds through the trading of negotiable securities, and to regulate money supply so as to make up for the defects of the unitary policy. Before the problem of soft restrictions of money supply is resolved, a simple, convenient, and accurate method to regulate money supply is to set up some serial price indexes as the indicator for the operation of the monetary policy. When the forecast price indexes are higher than the price hike rates set by the central bank, there is a need to tighten money supply; when the forecast indexes are lower than the fixed levels, money supply should be appropriately increased. This method is designed to use the time difference between money supply and price changes to ensure the stability of price levels for some time to come through the immediate regulation of money supply so that the regulation of money supply can ensure that the actual price levels tally with the planned targets.

GUANGMING RIBAO on Various Aspects of Reform

Development-Reform Relationship

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in Chinese 11 Jun 88 p 3

[Article by Wang Zhuo (3769 3820): "'Two Horses Scrambling for a Path' Is a Major Difficult Problem in Reform"]

[Text] A wealth of experience has been accumulated in the past 9 years of reform. In sum, one thing we have come to realize is that unless we correctly handle the relationship between development and reform, we shall not be able to carry out reform without a hitch.

In the past 9 years, the focus of reform has all along been placed on instilling more vitality into economic growth. This is absolutely necessary. In both macroeconomic and microeconomic activities, we have, however, failed to build a multilevel mechanism of conditioning self-development and self-restrained demand. As a result, the drawbacks such as macroeconomic imbalance, the dislocation of resource allocation, quantitative expansion, and low efficiency inherent in the old structure have not been overcome. Therefore, there is a macroeconomic situation in which development and reform are contending with each other just like "two horses scrambling for a path." When two horses are running on one path, they are no doubt racing to control the path and check each other's movement. This is the most difficult problem we have faced over the past few years and will be facing in the middle stage of reform.

The objective set for the middle stage of reform is the basic framework for the formation of a new structure and for the establishment of the leading role of the new structure in economic operation. It is therefore necessary for us to make a strategic shift in reform by taking price reform as the key link so as to promote a whole range of reforms in both macroeconomic and microeconomic activities. When making a strategic shift in reform, we should choose strategic measures which can solve both the difficult problem of "two horses scrambling for a path" and the problem of how to compensate in price reform.

The Way To Solve the Difficult Problem of the "Two Horses"—Development and Reform—Scrambling for a Path: To Build a Multilevel Mechanism of Conditioning Self-Restrained Demand [subhead]

When total demand outstrips total supply due to macroeconomic imbalance, we have to fill the gap by issuing large amounts of banknotes. As a result, economic development becomes unstable, prices increase because of currency devaluation, and people complain loudly. Under such circumstances, neither development nor reform is willing to make way for the other, just like "two horses scrambling for a path," neither of which can take a step forward.

How should we solve this difficult problem? Most academics place their hopes on macroeconomic control and favor controlling economic growth and adopting a "double tight control" policy. As a matter of fact, our macroeconomic control is now tight, now loose, and finds it difficult to control demand. The reason is that the "big pot" structure based on state ownership has built a multilevel mechanism of ever-increasing demands. If this mechanism is not changed, it will be hard to cure the disease of a "short supply of products" being unable to meet ever-growing demand.

The way to iron out the difficult problem of the "two horses—development and reform—scrambling for a path" is to reform the macromanagement structure and build a multilevel mechanism of conditioning self-restrained demand. The reform measures are: "stratified management and stratified contracting." Concretely speaking, they include: 1) contracting budgetary income with as many forms and levels as possible. Some places may adopt the method of contracting a certain fixed amount and assuming responsibility for balancing it. Some places may apply the method of contracting a progressive increase in amount and assuming responsibility for balancing it. And, in places where a system of separate taxation is instituted, the method of multiform contracting can also be employed in line with local actual conditions. 2) Credit funds are contracted in the "stripping and slicing" form and the central government has command of issuing banknotes and readjusting the amount of funds every year. 3) Foreign trade and distribution of foreign exchange earnings are contracted to different levels. Organs at different levels have the right

to use the foreign currency earnings distributed to them. Proceeding from different conditions, the State Council may make contracts with provinces (cities and autonomous regions) and organizations at different levels affiliated to provinces (cities and autonomous regions) in various forms. However, it may make most contracts with departments at the central level. The State Council may make contracts with some central departments on a input-output ratio and in stratified way, with a view to building a multilevel mechanism of conditioning self-restrained demand at the central level. Only by so doing will we be able to strike a balance between total demand and total supply and solve the difficult problem of the two horses—development and reform—scrambling for a path.

The Way To Solve the Difficult Problem of "Price Reform" Is: To Adopt the Method of Combining State Budgetary Planned Compensation With Regional Planned Compensation [subhead]

A difficult problem for price reform is: Who compensates for the loss of prices due? What is called balance of prices due means twisted prices—inadequate compensation for prices, which includes inadequate compensation for the cost of goods sold or inadequate compensation for average profits of goods sold. Therefore, to reform the price system, we must gradually relax controls over prices, and to relax controls over prices, we must appropriately raise prices. Raising prices, on the one hand, benefits producers and, on the other, imposes an extra burden on consumers. In price reform, if consumers do not share the burden, the government has to compensate for the losses incurred from price rises. Conversely, if the losses are not compensated for and consumers cannot afford to shoulder the burden, then it is difficult for us to take a step forward in price reform.

How should we solve the difficult problem of price reform? If we adopt the method of the goddess of mercy carrying Arhat on her back, namely, the state budget attending to everything in compensating for the losses incurred from nationwide price reform, then price reform will inevitably be delayed indefinitely due to the insufficiency of the state financial capacity. Over the past few years price reform was hindered just because of this. It seems that the method of "the goddess of mercy carrying Arhat on her back" is not the best way out because the "goddess of mercy" cannot carry Arhat on her back.

I stand for the method of combining state budgetary planned compensation with regional planned compensation. This means that both the "goddess of mercy" and "Arhat" share the burden. Some losses incurred by enterprises, workers, peasants, and city dwellers owing to price reform can be compensated for by the state budget in a planned way, and some can be compensated for by regions in a planned way. Of course, when some regions

find it difficult, the state has to give them an appropriate subsidy. In this way, all difficult problems in price reform can be readily solved.

The Way To Create a New Situation in Reform Is: To Implement the Strategy of Combining National Reforms With Regional Reforms [subhead]

China is vast in territory, with a unified market. For this reason, reform should be carried out under the unified leadership of the central government and it should have the same target of unitary structure. However, China is also a country with uneven economic development. Concrete demands for reform vary with different localities and their capacity to withstand economic reform is also different. It is therefore unrealistic to call on different localities to fulfill the same target of unitary structure simultaneously. If they are compelled to do so, no progress will be made in reform.

The correct way to create a new situation in reform is: Proceeding from the specific conditions of our country, we must implement the strategy of combining the effort to promote reform throughout the country with the effort to adopt some special reform measures in some regions only. This is because China is a large developing country. Its uneven economic development determines an imbalanced development of the commodity economy, thus the commodity economy can only be developed in a trapezoid way. This situation determines that a unitary structural pattern should be employed in our country for a considerable length of time. At the same time, the existence of a multilevel and trapezoid structural pattern should also be allowed. This means we should accept the differences in regional development which are reflected in varying degrees in the development of commodity economy and in opening up to the outside world. In general, the east, central, and west of our country are likely to develop a trapezoid structural pattern, and each will have its strong points; and the eastern coastal areas may also form a trapezoid structural pattern of a different description because of differences in the development of commodity economy and in opening up to the outside world. Taking Guangdong as an example, the Shenzhen Special Economic Zone is a modern industrial city. Economically, it mainly relies on foreign-funded enterprises, international division of labor, large-scale import and export, and regulating economic activities through the market mechanism. It is thus involved in a large number of economic activities with other countries. The structure in such an area calls not only for extending the sphere of regulating economic activities through the market mechanism but also for linking gradually with the economic operation of the international market in foreign trade, foreign investment, and banking. Therefore, the structure in our special economic zones makes it impossible for them to follow the same pattern devised for the interior of our country, and we must admit that the structure is a high-level structural pattern which conforms to the economic features of the international market. There are

also some open areas and cities in Guangdong which are similar to the special economic zones in some ways but also different in other ways. The structure in these areas will maintain a trapezoid difference from the structure in the special economic zones to a certain extent for a considerable length of time. In Guangdong there are also large mountain areas where the commodity economy is undeveloped, and the areas around the mountain areas. The structure in these areas has its own features and it also possesses a trapezoid difference from that in open areas and cities of the province. Such a trapezoid difference helps the development of the commodity economy in a trapezoid way in those areas.

In short, to carry out reform by proceeding from the specific conditions of our country, which are marked by uneven economic development, our country should follow the strategy of combining the effort to promote reform throughout the country with the effort to adopt some special reform measures in some regions only. This will not only contribute to the development of the regional economy but also help step up reform, thereby solving the major difficult problem of the "two horses"—development and reform—scrambling for a path.

Medium-Term Reform

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in Chinese 11 Jun 88 p 3

[Article by Hu Naiwu (5170 0035 2976) and Xiao Qiu (0879 3061): "Thoughts on the Medium-Term Reform"]

[Text] Fundamental factors of the new economic system have been formed in our country since the beginning of the reform. However, generally speaking, the leading position of the new economic system is far from being established. The new and old systems are in a stalemate. This structural pattern has lacked an inherent unity of operational mechanisms, standardized environment for operation, and unified code of conduct. It has urgently demanded that we promote and deepen reform. For this reason, we should have a correct understanding of the environment and objectives of the medium-term (1988-1995) reform, which conforms with reality.

Economic Environment for the Medium-Term Reform [subhead]

During the entire period of the medium-term reform, the economic environment in our country will still be tense. While working out our plans, selecting the objectives, and designing our strategic measures for the medium-term reform, we should fully consider this objective reality.

A comparatively tense economic environment is a restriction on the medium-term reform, which is mainly reflected in the following restrictive conditions. 1) Large population base. According to statistics, the ratio between population growth and economic increase is 1

to 3. This means that with an annual economic growth rate of 4.5 percent in our country, we can only maintain the simple reproduction under the existing living standard. 2) A large labor force. It has been predicted that during the period from 1988 to 1995, the labor force will increase by about 16 million every year, and more than 10 billion yuan will be needed every year to equip this newly increased labor force. 3) Agriculture is facing more difficulties. The per capita cultivated area in our country is slightly over one mu. If we fail to markedly increase the per capita yield of grain, we will then be confronted with a serious grain problem. 4) The increasing shortage of energy. Viewing things from the per capita consumption of energy, and our capability to meet the energy demand for the national economic development in our country, we know that ours is a country with inadequate resources. In particular, the shortage of energy cannot be fundamentally improved during the medium-term reform. 5) Serious shortage of funds. The fact that there is a serious shortage of funds in our country has seriously affected our national economic development. Great deficits in balance of international payments will obviously put pressure on the medium-term reform. It is possible that the above-mentioned factors might lead to sustained inflation. Once sustained inflation has become a fact, there will be two consequences. First, the economic operational mechanisms will be in constant chaos. Second, people will lose confidence in reform.

After considering and analyzing constraints which might occur in the course of the medium-term reform, it should be pointed out that objectively speaking the medium-term reform can only be carried out in a comparatively tense environment. This is significant to the formulation of our plans for the medium-term reform, the selection of our objectives, the design of our strategic measures, and the specific implementation of our plans for medium-term reform.

The Selection of the Objectives of the Medium-Term Reform [subhead]

The objectives of economic structural reform in our country are based on the economic system which reflects the inherent demand of the planned commodity economy, namely the inherent unity between planning and market. However, we should realize that the planned development of the commodity economy is a process of evolution from immaturity to maturity, from incompleteness to completeness, and from an elementary form to an advanced form. During the different stages of socialist development, and different periods of development of the same stage, there are comparatively great differences in structural pattern. Therefore, the objectives, which can be fulfilled during the medium-term reform, can only be moderate objectives. The basic implication of the moderate objectives is that we cannot expect to form a basic frame of the new system during this period, and that our emphasis should be placed on

creating basic conditions for forming the frame of the new system, so that the basic factors of the new system can grow healthily, and gradually become a main force of the structural pattern.

The specific items covered by the objectives of the medium-term reform are as follow:

1) Efforts will be made to strengthen the enterprise system. Specifically, we must improve the mechanisms of enterprises as legal entities assuming sole responsibility for their own profits and losses. We should also gradually establish a system which controls the conduct of enterprises with emphasis on exercising control over their assets, so that a structure balancing the interests inside the enterprises and mechanisms controlling the conduct of enterprises can be formed. We should constantly develop what is useful and healthy, and discard what is not in the contract system, so that we can gradually march toward clarifying the property rights of enterprises, and create conditions for enterprises assuming sole responsibility for profits and losses in the future.

2) Efforts should be made to form a market system, which is not complete, but has a broad prospect for development. Specifically speaking, our main efforts should be placed on establishing a market of the means of production, vigorously developing a property market, and a market of highly intelligent labor service. A financial market should also be developed on a limited scale.

3) Efforts should be made again to form the macroscopic economic management system. Specifically speaking, we should make efforts to expand the macroscopic means for indirect control. In the meantime, we should abolish, or amalgamate the relevant administrative organs which mainly rely on direct administrative control. We should vigorously develop a system needed by the macroscopic indirect control. Efforts should be made to gradually differentiate the long-term macroeconomic control from the short-term microeconomic readjustment. We should establish some new-type financial organs which will be beneficial to the changes of our production setup.

We believe that the main objectives of the medium-term reform are the development of enterprise system, and the formation of the macroeconomic management system. Through grasping the "two ends" in structural reform, we promote the growth of the "middle," namely the development of the market, and the improvement of market system. Strategic Measures for the Medium-Term Reform [subhead] Strategic measures for the medium-term reform can be taken in two stages. During the first stage, moderate measures are taken to deal with the comparatively tense economic environment. During the second stage, measures are taken to free the prices of the majority of commodities.

Taking moderate measures to deal with the tense economic environment is a prerequisite for the smooth progress of the medium-term reform. "Taking moderate measures to deal with the environment" basically means that the tense economic environment should be restricted within a scope which can be accepted by the people, so that people will not lose confidence in reform, and economic life can operate normally. According to a study which we have made, during the medium-term reform it is impossible to eliminate inflation. But it should be kept under seven percent.

In the process of taking moderate measures to deal with the tense economic situation, what is most important for us to do is to strictly control money supply. In the meantime, we should exercise control over investment scale, and the margin of increase of consumption funds. During the period of medium-term reform, if our annual economic growth rate can be maintained at about 8 percent in addition to other factors such as commodity price increase and the enhancement of the level of monetization of our economy, the growth rate of money supply can generally be kept within the scope of 15 percent.

After the completion of the task of "taking moderate measures to deal with the environment," we may start the second stage. In other words, we should adopt measures to wholly reform the price system, to straighten out the pricing structure, and work out market rules and regulations, so that an environment for equal competition can be created. The emphasis of price reform must be placed on the price of the means of production. The state can take measures to "allocate and transfer" only a small number of commodities controlled by state planning. With regard to the prices of the majority of commodities, they must be gradually freed.

Realism in Reform

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in Chinese 13 Jun 88 p 3

[Article by Jin Yan (6855 3508): "An Analysis of Being Practical and Realistic"]

[Text] I have heard of the following matters:

On one occasion, when employees of a unit criticized some of their leaders for engaging in malpractices, these leaders said: What else can we do nowadays? It would be very difficult to move an inch without certain relationships, so be a little "practical and realistic!"

Some irrational problems cropped up when titles were being given to some employees of a unit, and many people had strong objections. But some of the unit's leaders said: This is the initial stage, we cannot insist on being rational but should instead "proceed from reality!"

All this is stunning to hear.

As everyone is aware, being practical and realistic is a basic principle of Marxism and is also our party's basic method in leadership work. It has a special definition. Comrade Mao Zedong said: Facts are things existing objectively and consist of the internal relationships and law of objective matters. Seeking them means studying them. Naturally, we should proceed from reality in everything we do, and we should find out the law of objective matters so that we can use the law to guide our practice. This goes without saying. Any act divorced from reality will come to nil, and any theory divorced from reality is just empty talk.

However, being practical and realistic is not our aim. As a way of understanding and thinking, it must finally be able to meet the people's need for transforming the world and changing real life. Our purpose in seeking the essence and law of objective matters is to transform their present state and change irrational situations. Without action and practice, there can be no understanding of objective law, nor can we talk about meeting the people's needs; without action and practice, we will be armchair strategists even if we have understood the law of objective matters.

There are two attitudes toward "being practical and realistic." One is seeking truth from facts and is striving to transform the world on this basis. This is a scientific concept of being realistic and practical. The other is using the slogan of "being practical and realistic" to conceal faults and gloss over mistakes. Some people even use it as a shield to protect themselves from criticism. For these people, all reform suggestions are "impractical" illusions. Obviously, if "proceeding from reality" is not aimed at changing real life, it will only play the role of covering up contradictions and shirking responsibility. This will vulgarize the concept of "seeking truth from facts."

Some people say being practical is, after all, better than being impractical. This is a matter of course. However, our real life sometimes witnesses the following: You say you are being practical and respect reality, but others say they are being practical. Who is right? The criterion to judge is practice. Only through practice can we tell who has really mastered the law of objective matters. He who can change irrational situations is truly being practical.

The principle of being practical and realistic has undergone a long process in the development of Marxism. The principle of being practical and realistic proposed by revolutionary teachers during the proletarian revolution and war years was based on their understanding of the law of the then revolution and war. In their era, all work focused on transforming the world and changing irrational situations by extraordinary means. Therefore they paid particular attention to being practical and realistic and to proceeding from reality. Otherwise, they would cost the revolution dearly. In addition, while proceeding from reality they would not just rest on preserving or maintaining the then situation, because their purpose

was to change that situation. It is true that we should also be practical and realistic in our peaceful construction today, but our angle of understanding should be different from theirs. We should stress the importance of practice and focus our attention on transforming the world and our society. In this sense, we are not using the concept of being practical and realistic to explain reality but to transform the world. Man fundamentally differs from animals because he never rests content with things as they are; he will always engage in transforming reality. Take our real life as an example. Ideas and suggestions on reforms cannot be regarded as impractical; they should be considered beneficial so long as they can be of some help to transforming our real life.

Marx said: "As a matter of fact and for practical materialists, that is, communists, the entire problem lies in revolutionizing the existing world and opposing and transforming the present state of affairs." ("Collected Works of Marx and Engels," vol 3, p 48) Marx' philosophy is practical philosophy. It teaches Marxists that the final purpose of understanding the world and studying the law of objective matters is to transform the world. The world will not satisfy man, so man must use his own power to transform the existing world into a new one that is more suitable for man's existence and development.

Income Gap Widening in Urban Areas
HK2706104588 Beijing CEI Database in English
27 Jun 88

[Text] Beijing, (CEI)—The income gap is widening in urban China, a survey by the State Statistics Bureau has revealed.

The survey, conducted last year and involving 150,000 households in cities and towns, showed that the income of a small number of people, especially self-employed private traders, was far higher than the others.

The survey compared incomes earned in two quarters of 1987 and noted what durable consumer goods they owned and what they hoped to acquire in 1988.

The survey found that the average per-head monthly income for urban residents stood at 67.27 yuan in 1987.

The survey divided the households into five categories and found the average per-head monthly income for the first category households was 36.55 yuan and that for the fifth category was 122.8 yuan.

It found the income of different workers from state- or collective-owned enterprises was almost the same.

Without taking private traders into consideration, the income of a man in his forties with a college education was only 14 percent higher than that of a man in the same age group with primary education.

On the whole, the income of urban residents is increasing and the number of households with low income is decreasing.

Meanwhile, their sources of income have diversified. The proportion of the income from salary dropped from 83.1 percent in 1984 to 70.6 percent in 1987.

Secondary incomes came from bonuses, state subsidies to counter price hikes, second jobs, and interest from deposits and shares.

'Dispatch' on New Ministry of Construction

HK2806144488 Beijing RENMIN RIBAO in Chinese
26 Jun 88 p 1

[“Dispatch” by reporter Wang Zhongren (3769 6988 0086): “The State Council Approves ‘Three-Fixed’ Plan Submitted by the Ministry of Construction”]

[Text] A new Ministry of Construction has been set up and its nameplate has now been officially erected in Baiwanzhuang. Work in various fields of endeavor has begun to be carried out in accordance with the new organizational system.

To establish the Ministry of Construction, the preparatory group spent 3 months studying and formulating a “three-fix” proposition—namely, fixing the ministry’s functions, organization, and staffing. In the course of working out the “three-fix” proposition, the preparatory group painstakingly solicited opinions from all sides concerned, visited dozens of veteran comrades who had served in the former State Construction Commission and construction departments, and conducted dialogues and consultations with some 10 related State Council departments, and, together with them, revised the original proposition draft five times. Comrade Li Peng presided over a premier’s executive meeting on 3 May at which the proposition was examined and approved in principle. The proposition clearly pointed out: The Ministry of Construction is a department under the leadership of the State Council in charge of comprehensive management of the nation’s construction work, rather than a specialized department. Its functions are to comprehensively manage and supervise the standards and quotas, prospects and designs, and construction of projects undertaken by all departments and localities throughout the nation; to plan and guide the construction of cities, towns, and villages all over the country; to put the nation’s building industry and the development of real estate under centralized management by specialized departments; to open up overseas construction markets in an organized way; and to put the state’s contracting of overseas projects and labor-service businesses under centralized management by specialized departments to promote the export of construction materials and mechanical equipment.

The new Ministry of Construction will reduce 25 percent of its number of departments and bureaus and cut 20 percent of its staff by strengthening its comprehensive functional departments and weakening its specialized management departments.

Concerning the future operation of the new Ministry of Construction, Lin Hanxiong said: The ministry’s work can be summed up as one center and eight tasks: The one center means we must, through reform, bring the initiative of all quarters into full play and gradually run the building industry as a major pillar of the national economy and as a major industry capable of accumulating funds and withdrawing currency from circulation. The eight tasks are to promote reform of the housing system and expedite the commercialization of civilian construction products centering on housing; to actively develop and manage real estate in the cities and provide funds for urban construction; to strengthen urban construction and bring into play the multifunctional, fanning-out role of cities, in order to make cities the real pivot of economic construction; to build cities, towns, and villages with Chinese characteristics and the style of various nationalities, in light of the different economic-development levels, customs, and habits of different nationalities and the different climatic conditions; to accelerate the reform of the design and construction structure, introduce a competition mechanism, invigorate design and construction units, and enhance their competitiveness; to expand overseas markets, get involved in international project contracting, steadily move in the direction of overall contracting including design and construction, and promote the export of materials and equipment to earn more foreign exchange for the state; to set up a new construction system, extensively use new materials and light wall materials, and give a greater boost to the development of the construction material industry; and to strengthen the cultivation of talent, do a good job in cadre training, and to raise the quality of the cadre contingent. The above line of thinking and priorities in work have been endorsed by the leading comrades of the party Central Committee and the State Council who urged the Ministry of Construction to proceed boldly with its work.

Paper on Policy for Industrial Structure

HK2506080588 Beijing GUANGMING RIBAO
in Chinese 4 Jun 88 p 3

[Article by Huang Ming (7802 2494) and Wu Dongmei (0702 0392 2734): “The Formulation and Implementation of the Policy for Industrial Structure”]

[Text] The industrial structure constitutes an essential aspect in the national economy and works as a carrier and starting point for economic development. In the initial stage of socialism, in which the productive forces are underdeveloped, we must formulate and implement a policy for industrial structure as the core of our industrial policy.

After more than 30 years of development, and particularly after 9 years of reforms and readjustments, the industrial structure of our country has been considerably improved. It can be said that the tasks for the primary stage of industrialization have been essentially fulfilled. Viewed from the average level of the whole country, the industrial structure of our country has now entered the middle stage of industrialization, namely, a period of industrialization for heavy and chemical industries. However, we must be aware that our industrial structure covers a wide span, that is to say, we are not completely in the period of industrialization for heavy and chemical industries because the tasks set for the primary stage of industrialization have not finally been completed and industries in the later stage of industrialization have started developing step by step. We should therefore not ignore this point when we make further arrangements for the industrial structure.

So then, what major problems do we face at the present stage of our industrial structure? First, the development of primary, secondary, and tertiary industry is unbalanced. The foundation of primary industry is weak and does not have reserve strength. The development of tertiary industry cannot satisfy actual needs. Generally speaking, the development of primary and tertiary industry is slower than that of secondary industry. Second, the contradictions between the basic industry of secondary industry and the processing industry are very acute. The development of the basic industry is far behind that of the processing industry, in particular the supply of energy, raw materials, and transport cannot meet the increasing demand. Third, the industrial structure of our country cannot face with challenge any sudden change. For long years our industrial structure has been too steady to meet changes in the structure of demand. This inevitably strengthens the coexistence of shortage and surplus, and results in waste of financial resources and wealth. This is what is called the "negative effect of the structure," which is against the effectiveness of the structure.

In accordance with an analysis of the development stage and major problems relating to the industrial structure of our country, the overall plan for the structure should have the following basic outline.

First, in the future our industries should be developed in a skewed, not a balanced way. This is determined by the lack of funds in our country and also is an important channel for promoting the rapid development of the national economy. In developing industry, we must mainly rely on the capital-intensive form. This not only suits the actual situation in which our country has begun to enter the middle stage of industrialization, but is also the only way we can step up economic development and free ourselves from enslavement in the international division of labor.

Second, the crux of the policy for the industrial structure is to develop a number of leading industries and expand the economy as a whole through the leading industries.

Leading industries should meet the following basic standards. 1) Elasticity of demand. The growth of market demand for products of leading industries should be higher than that of their income. 2) Manifold connections. Leading industries must have influential and wide connections so as to enable them to propel the development of many other industries and improve their economic returns. 3) Labor productivity. As an overall indicator of measuring economic results and technological advancement, the productivity growth of leading industries must be quicker than the growth of average labor productivity in society. 4) Labor absorption power. A large amount of surplus labor has appeared in our country (it will be constantly increasing in the future). Because of this, leading industries are expected to offer more job opportunities. 5) Direct and indirect capability to earn foreign exchange. Considering both the shortage of funds in our country and the effort to open up our country wider to the outside world and make use of international division of labor, leading industries are requested to be able to earn more foreign exchange.

Third, to take the aforementioned basic standards into account, our country should develop two types of leading industry. One type includes steel, power, and the transport industry. The aim of this type of leading industry is to correct the lopsided industrial setup, that is, fill the gaps in basic industries and the infrastructure and rationalize the industrial setup step by step. The other type includes the auto industry, industries producing large complete sets of equipment, and the building industry. The aim of this type of leading industry is to upgrade and update the industrial setup, as well as to increase economic strength and make the setup more able to adapt itself to circumstances.

To implement the aforesaid overall plan for our industrial setup, we must adopt the following major measures. First, We must as quickly as possible establish a readjustment mechanism, which includes a government mechanism and a market mechanism. The government should have an organ which works to promote changes in the industrial structure and is capable of effective regulating and controlling measures. As far as the market mechanism is concerned, enterprises which are involved in market operation should fully enjoy the right to use and deal with their property. A rational coordination between government and market mechanisms can link the effort to regulate the industrial structure through state intervention with market regulation. Second, we must formulate and implement financial, banking, and foreign exchange policies which support each other. The core of the banking policy is to set up as soon as possible an industrial bank which accept concessionary loan from the state and issues shares at home and abroad so as to raise funds for the development of leading industries. The financial policy should support leading industries by means of differential tax rates and exemption from taxes. The foreign exchange policy should on the one hand offer leading industries a precedence requirement for foreign exchange and, on the other hand, should

protect the development of small domestic industries (such as the auto industry) by establishing a tariff wall. Third, various industrial laws, mainly including laws on economic rejuvenation, laws on standardization of technology, laws on the merger of enterprises, and insolvency laws, should be enforced and improved so as to protect industrial order. Fourth, policies for different various trades corresponding to different leading industries, including policies for the development of the steel, power, and transport industries and policies for the development of the auto industry, industries manufacturing large complete sets of equipment, and the building industry, should also be formulated.

Economic Benefits of Commodity Inspection
HK2906014388 Beijing CHINA DAILY in English
29 Jun 88 p 1

[By staff reporter Tian Ying]

[Text] China's commodity inspection is playing a positive role in the country's economic development, Vice-Premier Tian Jiyun said yesterday at the opening ceremony of a national commodity inspection bureau directors conference in Beijing.

He said commodity inspection departments will adopt a series of new measures to strengthen management, develop close ties with foreign counterparts and raise work efficiency to meet the demand of the increasing foreign trade.

Tian said China's foreign trade is increasing steadily. The country is now earning about \$100 million a day from exports and the trend is expected to continue in the last half of this year. Some areas, such as export-oriented agriculture, have achieved better results than expected.

Commodity inspection administrations control the quality of imports and exports and also urge suppliers to improve quality, management and technology to make their products competitive on foreign markets, Tian said.

China's increasing foreign trade is urging import and export commodity inspection departments to provide better services to foreign and domestic exporters and suppliers. The emphasis will be placed on improving laws and regulations involving commodity inspection, strengthening management of inspection bureaus, simplifying formality and developing close ties with foreign counterparts, Tian said.

According to Zhu Zhenyuan, director of the State Administration of Import and Export Commodities Inspection, China has drafted its first import and export commodity inspection law. The draft has been submitted to the State Council for approval.

The State Council recently approved a series of measures to strengthen the country's inspection work.

Zhu said the Chinese commodity inspection administration hopes to establish business relations with Taiwan Province.

Although there is no direct trade between the mainland and Taiwan, indirect trade has been developing in recent years between the two sides of the Straits.

Zhu also said that China warmly welcomes foreign counterparts to establish equity joint venture and co-operative commodity inspection organizations in China.

According to Zhu, more than 10 per cent of imports and about 2 per cent of exports were found below required standards each year since 1979. With the help of inspection departments, foreign trade firms claimed an average \$100 million compensation each year.

Economist Discusses Northwestern Development
HK2906030988 Shanghai SHIJIE JINGJI DAOBAO
in Chinese 13 Jun 88 p 14

[Article by Yu Guangyuan (0060 0342 6678): "Thoughts Concerning Mutual Relations Between the Eastern and Western Regions"—passage in boldface as published]

[Text] **Internal and external are relative, hence, there is a question of opening up between countries as well as between the regions within a country. China's southeast is developed, while the northwest is underdeveloped. The developed southeast, the coastal areas in particular, are "external" to the underdeveloped region.**

Opening up and reform are two aspects which closely integrate and propel each other forward. Reform deals with the internal structure of a country, namely, a specific social system, while opening up involves relations between countries. History over the decade has proved that both an open policy and internal structural reform are necessary for China's economic development and cultural progress. The internal structural reform is the prerequisite for implementing a foreign policy. However, only by simultaneously implementing a foreign policy can China make use of the favorable international environment, advanced science, technology, and management, and capital of other countries to accelerate its development and at the same time widen the Chinese people's field of vision and bring forth ideological progress.

The implementation of the open policy is uneven in China. Because China's coastal areas have better economic, cultural, and geographical conditions, they have taken a step ahead of China's underdeveloped northwest region in implementing the open policy. Now the coastal areas are seizing the opportunity to open themselves further to the outside world. It is China's national policy to open up to the outside world. Although the conditions

of China's northwest differ greatly from those of the coastal areas, the northwest has also attached great importance to the open policy. This is absolutely correct and necessary.

Internal and external are relative. Hence, there is a question of opening up between countries as well as between the regions within a country. Generally speaking, China can be divided into two large regions, the developed southeast and the underdeveloped northwest, by the annual average rainfall of 400 mm. The area of the two large regions is more or less the same, but the population of one is 15 times more than the other. In the developed region, the coastal areas which have a population of over 100 million are highly developed. These coastal areas are "external" to the underdeveloped region.

Recently I attended a scientific symposium in Yunnan on Yunnan's economy focused on the Lancangjiang hydropower construction and development. I raised a question at the symposium: Besides implementing a foreign policy, directly establishing contacts with foreign government organs or nongovernment organizations, and directly developing economic and cultural relations with other countries, China's northwest should also consider the question of how to effectively attract the experience, technology, talented people, and capital of the coastal areas and effectively import advanced foreign technology and investment through their relations with the coastal areas. In my opinion, this question is very important because it can tremendously accelerate the pace of growth of China's underdeveloped region.

Probably some people will say that there is nothing new in this proposal because it is more or less the same as the lateral ties established between the developed coastal areas and the underdeveloped areas. I do not agree. The two are widely different though they have things in common.

First, the two have different requirements on the scope of development. If we merely mention lateral ties between the two regions, there is no requirement on the scope of development. In light of the proposal made above, the lateral ties should reach a scale sufficiently large to accelerate the growth of the underdeveloped region and put an end to its backwardness as quickly as possible.

Second, the systematic requirements of the two are also different. If we merely mention lateral ties between the two regions, it will not necessarily require a systematic solution of relevant problems and probably the following method can be adopted: Whatever ties can be established will be established. In light of the above proposal, however, the underdeveloped region should establish the work system of drawing technology, talented people, and capital from the coastal areas. Hence, it is necessary to formulate systematic local policies, have a definite and

integrated concept in this regard, and have a set of effective methods. It is also essential to enact special laws, set up the necessary organs, and vigorously carry out this work.

In my opinion, the effective methods adopted in the open policy over the past decade or so can be used for reference. The various forms adopted in external economic relations are also recommended, such as joint ventures and enterprises run exclusively with foreign investment; retention of profits, tax revenue, products, and output value; loans granting; the three forms of import processing and compensation trade; preferential treatment in income taxes and land use; leasing of land; free remittance of money earned from the developed region; the processing zones creating a fine investment environment for foreign investors.... Regarding these methods, the underdeveloped region should enact necessary laws at local people's congresses to ensure the stability and continuity of these policies. In my opinion, the northwest will be able to achieve an acceleration of its prosperity only when it is determined to implement these policies. Meanwhile, the implementation of these policies can also create favorable conditions for the development of the coastal areas. Naturally, there is a great difference in the relations between countries and between the regions within a country. Hence, this question merits study.

In the northwest we are often aware of the strong desire of the cadres and masses to narrow their economic gap with the coastal areas. It is quite natural and understandable for people in this backward region to have this in their minds. However, we should note the following: First, viewed from the objective conditions, namely, economic and technological strength and market conditions, the developed region is superior to the underdeveloped region. Second, viewed from the subjective forces, namely, the education level, cultural qualities, and economic management ability of the cadres and masses, there is a wide gap between the developed and underdeveloped regions. Because economic growth of the underdeveloped region is lagging far behind that of the developed region, even if we can make the pace of growth of the underdeveloped region outstrip that of the developed region, it will still be impossible to achieve the results of narrowing the gap, what is more, there are no sufficient grounds to prove that the pace of growth of the underdeveloped region can outstrip that of the developed region. Therefore, I believe that the gap in economic level between the developed and underdeveloped regions will continue to be widened. This is unavoidable and independent of man's will. We can have a clear understanding of the situation by just examining the statistical figures of these years. The reason is simple. If an underdeveloped country or region wants to develop faster than a developed country or region, it should first change the factors giving rise to its backwardness. Unless this change is effected, it will be impossible for it to develop faster than a developed country or region.

Here the conditions of two regions within a country are somewhat different from those between countries. There is a fundamental difference in social system between a socialist country and a capitalist country. This difference can also give rise to different growth. A socialist country can give full play to the superiority of socialism through reforming the socialist structure, outstrip the growth of a capitalist country, and advance in a sustained manner. Within a country, in China for example, the social system is the same in the developed and underdeveloped regions and so is the reform being carried out in various localities. Viewed from the relations of social production and the superstructure, generally speaking, there is no question of one side having more special advantages than the other between the developed and underdeveloped regions (the conditions are special in the special zones). Naturally, there is a gap in the extent of efforts made by each locality, particularly the awareness in reform and opening up, and the policy decisions of various localities on economic and social development strategy and measures may vary. The state's preferential policies to different localities and the state's investment policy in a region may also produce an impact on the growth of regional development. Nevertheless, under current conditions, I still believe that it is impossible for the underdeveloped region to narrow its gap with the developed region because it is not likely that the awareness of the cadres and masses of the underdeveloped region and the efforts they make will be higher than those of the developed region. The developed region is also carrying out reform and opening up and it cannot at the present stage rely on state investment on a large scale. The underdeveloped region is relying on its own efforts and working hard for the prosperity of the country and so is the developed region.

Moreover, it is impossible and of no significance at all to seek ways to narrow the gap with the developed region. Regarding significance, perhaps it can enhance the sense of competition. However, it also has some defects. We know that the reason for narrowing such a gap may derive from the following: Wishing that one can develop faster and expecting others to develop at a slow pace. Psychologically speaking, those who wish to narrow the gap will not expect others to develop faster. We cannot say that such psychology is wrong in regard to the relations between China and the developed capitalist countries. However, it should not be encouraged in the two different regions within our country because the further growth of the underdeveloped region is precisely the prerequisite for the better growth of the developed region. We should never expect the developed region to advance at a slower pace. In my opinion, the practical significance lies in the underdeveloped region getting aid from the developed region so that it can develop faster than before, rather than trying to narrow its gap with the developed region. For this reason, it is essential to lay down definite, forceful policies to obtain more aid from the developed region.

To attract investment from the developed region, the underdeveloped region should be more considerate of

the developed region and let the developed region benefit from investing in the underdeveloped region. In economic work, the relations of economic benefits are factors playing a long-term, decisive role. We should consider problems in this way. This is also the case in attracting foreign capital. However, it is no easy job to acquire an understanding of the interests of oneself and others. Regarding the underdeveloped region, an entrepreneur said, so long as its economic prosperity is boosted it can benefit by letting investors share more profits, because the underdeveloped region can expand its market, get more information, widen its field of vision, and improve its culture with investment from the developed region. All these are indirect benefits gained by the underdeveloped region. To sum up, the two different regions should stress economic benefits for themselves as well as others. However, this is after all an internal question. We should still stress the truth of "meat rotting in the pot." This is different from dealing with foreign countries. We should understand the truth that internal affairs should be dealt with in a different way from external ones. Nevertheless, there is an abnormal phenomenon at present, that is, being generous in external relations, while haggling over every penny in internal relations.

Naturally, every matter should be viewed from two aspects. The above remarks are aimed at China's underdeveloped region. Regarding the developed coastal areas, we should say: You should realize the profits obtainable by developing China's underdeveloped region. Of the two major parts of China, the southeast has a large population and natural resources have been exploited for a long time. The average per capita possession of natural resources is relatively limited. However, the northwest has a vast territory with sparse population, thus land resources constitute its major advantage. Meanwhile, as it is yet to be exploited, its mineral resources are several times more than that of the southeast. Hence, the southeast should make full use of the natural resources of the northwest. Moreover, the living standard in the northwest is relatively low. Because of the high production costs, the production of certain commodities will no longer be competitive in the coastal areas. However, it can continue to be competitive for a fairly long time in the underdeveloped region in the northwest. Meanwhile, economic development and expansion of the market capacity of the underdeveloped region are also under way. The exploitation of the underdeveloped region can help the coastal areas solve many problems. I have insisted that the coastal areas should interact with the east, south, and the ocean, that is, interact with other countries and further strengthen external relations. Besides facing the east and south, they should also face the west and north. Besides facing the ocean, they should also face the mainland and mountains. I also said that developing coastal economy does not mean simply developing the economy in the coastal areas. For example, is it not tantamount to developing Shanghai's economy to earn money by developing all parts of the country, including the northwest? We hope

that foreign businessmen can invest in Shanghai. If foreigners also insisted on developing their economies in their own countries, they would not have come to China. Then our hopes would be baseless. Foreign businessmen have come to China because they know that they can invest abroad beside investing in their own country and that there are benefits unobtainable in their country. There are scientific grounds for these hopes. To make their business profitable, we worked out various preferential methods and created a favorable environment for their investment. This is also applicable to China's developed and underdeveloped regions. This is the reason why the developed region should regard development of the underdeveloped region as an essential condition for its own development. The developed coastal areas should regard this as an essential guideline.

To acquire such an understanding, the comrades of the developed region should discover the specific conditions and study the development of the underdeveloped region. In my opinion, the developed region has not done enough in this regard. The Changjiang and Zhujiang Deltas, and coastal provinces in the north should all conduct studies of China's underdeveloped region. Only by conducting more and profound studies can we acquire a deeper understanding of the significance of developing both the underdeveloped and developed regions. Conversely, only by regarding the development of the underdeveloped region as an essential means of its own development can the developed region attach importance to the study of the underdeveloped region.

SHIJIE JINGJI DAOBAO, which has always focused its attention on the development of the coastal areas as well as the underdeveloped region, marks its eighth anniversary this June. I would like to contribute this article to mark the occasion.

Commentator on Increasing Fertilizer Production
HK2906104088 Beijing RENMIN RIBAO
in Chinese 25 Jun 88 p 2

[Commentator's article: "Potential Should Be Tapped in Chemical Fertilizer Production"]

[Text] The question of chemical fertilizer has recently been discussed on more and more occasions among the masses of people, in newspapers, and on television. There is a strong demand for increasing supplies of chemical fertilizer, unblocking circulation channels, and promoting the production of chemical fertilizer.

It is reasonable for people to show concern over this question. Fertilizer is the grain of grains and the agricultural problem, especially the grain problem, is an important factor conditioning the development of the national economy. If the peasants cannot get the chemical fertilizers they need during the season when they should be

applied, or cannot afford to buy chemical fertilizers, their production enthusiasm will certainly be seriously dampened. This will have immeasurable and serious consequences.

China's per capita area of cultivated land is only $\frac{1}{3}$ of the world's average. Moreover, China's population is growing and its cultivated land is shrinking. Under such conditions, the only way to achieve the low-level target of 400 kg of grain per capita is to increase the input to the cultivated land so that the per mu yield of grain can be increased by a large margin. Therefore increasing the application of chemical fertilizer is an important measure in strengthening the momentum of agricultural development. As early as August 1986 the State Council made a decision which required that the question of the chemical fertilizer industry should be regarded as a strategic one.

Our country has attached great importance to chemical fertilizer production. To date the state and local authorities have invested more than 30 billion yuan in production. This is more than half of the capital construction investment for the chemical industry. A chemical fertilizer industrial system combining large, medium, and small production units and capable of producing 86 million tons of standard fertilizer has been established in our country. However, the amount of chemical fertilizer produced by our country still cannot satisfy the needs of agricultural production. We still have to spend large sums of foreign exchange every year importing chemical fertilizer. Up to 1985, some \$17.88 billion in foreign exchange was used for this purpose. In addition more than 20 billion yuan was used for loss subsidies. This is quite a big burden for the state.

There are many reasons for the short supply of chemical fertilizer, such as the irrational production and marketing structure, excessive circulation links, and illegal buying and selling in some places. All these problems should be solved. However the most fundamental reason is the insufficient chemical fertilizer production. Both the quantity and quality of chemical fertilizer cannot satisfy the needs of agricultural development. To solve the contradictions between chemical fertilizer supply and demand, a number of large-scale chemical fertilizer plants and coordinated chemical mining projects will be built in our country in accordance with the Seventh 5-Year Plan. However, since large sums of money and a long period of time are needed for the construction of large-scale projects, this "distant water" cannot quench the "present thirst." A short-cut to the solution is to strengthen the workers' sense of immediacy and responsibility on the chemical fertilizer production front and give full play to the potential of the existing enterprises. In this way less money will be spent but faster results can be achieved. The practice in the Nanjing Chemical Industrial Company vividly shows that tapping potential and transforming old enterprises can play a decisive role in promoting development of the chemical fertilizer industry. At present there are more than 1,000 chemical

fertilizer production enterprises in our country. If they all regard the modernization of chemical fertilizer as their own responsibility and can provide agricultural production with more varieties of high-density and highly efficacious chemical fertilizer, we are sure that the contradictions between chemical fertilizer supply and demand in our country can be gradually solved.

To increase the output of chemical fertilizer it is necessary that all departments concerned should make great efforts. It is not merely a matter for the chemical fertilizer production front. We are now at an important moment of deepening reforms and rationalizing price

relations. The changes in the prices of raw materials, energy, transport, and so on will all affect chemical fertilizer production. All departments concerned in chemical fertilizer production should proceed from the overall situation of supporting agriculture and make positive efforts to help increase this production. Only when all people concerned are making concerted efforts can the initiative and creativity of the workers on the chemical fertilizer production front be further aroused and mobilized, and can the "difficult problem," the contradictions between chemical fertilizer supply and demand, be solved as soon as possible.

East Region

Fujian General Foreign Trade Corporation Reformed
HK2906043688 Beijing ZHONGGUO XINWEN
SHE in Chinese 0256 GMT 22 Jun 88

[Report: "Li Yunhua, Head of Fujian Provincial Foreign Trade Corporation, Answers Reporter's Question on Structural Reform of the Corporation"]

[Text] Fuzhou, 22 Jun (ZHONGGUO XINWEN SHE)—There was a favorable momentum in the foreign trade of Fujian Province in the first half of this year. During this period, Fujian Provincial General Foreign Trade Corporation gained over \$10 million in foreign exchange following structural reform of the corporation introduced early this year. For more information, this reporter interviewed Li Yunhua and Kong Fanli, general manager and deputy general manager of the corporation respectively.

Question: Since Fujian Provincial General Foreign Trade Corporation enjoys extensive contacts abroad, the overseas public would very much like to know what is the function of your corporation following the structural reform?

Answer: Since the over 10 specialized import and export branch offices originally under Fujian Provincial General Foreign Trade Corporation were put under control of the Fujian Provincial Economic and Trade Commission, the corporation has been changed into a managerial body from an administrative one. So far, a considerable adjustment has been introduced in the general corporation. Eleven business departments have been set up dealing with import, export, overseas enterprises, development for export commodities, investment and trade, distribution activities, consulting service for trade with Taiwan, and development for land and buildings.

In addition, there are seven corporations including Overseas Enterprises Development Corporation, Overseas Trade Corporation, Computer Technology Export Corporation, Foreign Trade and Finance Corporation, and Rongjiang Import and Export Corporation. The general corporation is evolving into an international comprehensive multifunctional group economic entity for foreign trade.

Question: Has your foreign trade gone on smoothly since the reshuffle?

Answer: We are still investigating our reform; it has, however, breathed new life into the general corporation. The business of the general corporation has now extended to construction of bases for producing export commodities, "three forms of import processing and compensation trade," trade with Taiwan, real estate development, advertising exhibitions, warehousing and shipping, information consultation, financing and credit, leasing, and setting up of Sino-foreign joint ventures and joint ventures with departments concerned at various levels. Our operational scope has become wider.

Question: What is the general corporation's plan for expanding import and export business in the near future?

Answer: The general corporation was established in 1980. Endowed with favorable conditions, it not only boasts quality staff, but owns a foreign trade center which houses offices, exhibition halls, hotel rooms, and computer centers. In recent years, the general corporation has invested in and set up, over 20 Sino-foreign joint ventures and joint ventures with departments concerned at various levels, ranging from aquatic product industry, building material industry, and textile industry to a fleet of ships and real estate. To boost the general corporation's export capability, we decided this year to allocate over 20 million yuan for stepping up the construction of 17 commodity bases.

Question: Is it true that your corporation has set up quite a number of enterprises abroad?

Answer: In the 8 years following the founding of the general corporation, we have made trade contacts with over 20 countries in Europe, Asia, America, and Australia. At present we have a total of eight enterprises and offices distributed over Tokyo, New York, London, Sydney, Hamburg, Togo's Lome, Monrovia, and Hong Kong. The general corporation will avail itself of the current excellent situation to make contributions to quicker economic development of the coastal regions.

Shandong's Ma Meets With Australian Delegation
SK2706032988 Jinan Shandong Provincial Service
in Mandarin 2200 GMT 26 Jun 88

[Excerpts] On the afternoon of 26 June, Vice Governor Ma Zhongchen met with a delegation of Australian local government leaders at the Nanjiao Guesthouse in Jinan. [passage omitted]

During the meeting, Vice Governor Ma Zhongchen introduced to the guests our province's political and economic situations. Responsible comrades of the provincial Foreign Affairs Office, the provincial Foreign Economic Relations and Trade Commission, and the provincial Association for Friendship with Foreign Countries were also present at the meeting.

The Australian local government leaders delegation arrived in our province for visits on 23 June. It will leave Jinan for Taian to continue its visits on 27 June.

Shanghai Citizens File Corruption Complaints
HK2506012088 Beijing CHINA DAILY
in English 25 Jun 88 p 1

[By staff reporter Shen Feiyue]

[Text] Shanghai—The municipal government opened twenty-four reception rooms yesterday to hear citizens' complaints on corruption and bribery among government officials and company executives.

The measure is part of the city's campaign to crack down on officials and executives who take advantage of their positions to accept bribe and embezzle public funds.

The municipal People's Procuratorate reported these rooms received more than 60 complaints of corruption and bribery from individuals through telephone calls, letters and personal visits.

Meanwhile, some government officials confessed their economic crimes.

"Most of the accusations pointed to the corruption and bribery of government officials and enterprise managers," said Ji Qirong, Director of the accusation section at the Municipal Procuratorate.

"The municipal People's Procuratorate will begin investigations into some of the cases that seem to have been in violation of the law," Ji said.

"The establishment of these rooms is an attempt to mobilize citizens to supervise and fight corruption in government offices," said Yu Yuanhao, the city's deputy procurator general.

The cases of government officials charged with corruption and bribery have increased in the city in recent years, the municipal Procuratorate said. Last year, such cases accounted for 66 percent of the total 595 economic criminal cases reviewed by the procuratorate, up 15 percent from 1986.

The municipal Procuratorate has issued an announcement stipulating that the right of citizens to lodge complaints to a procuratorial department is protected by law.

Zhejiang Openly Selects Officials
*HK2806152488 Beijing ZHONGGUO XINWEN
SHE in Chinese 0234 GMT 27 Jun 88*

[Text] Hangzhou, 27 Jun (ZHONGGUO XINWEN SHE)—Those good at selecting horses are not equal to those good at horse racing. Zhejiang has abandoned the past closed and semiclosed personnel selection methods and openly selected officials for various levels. More than 300 new officials came out into the open. Of these, 200 have assumed the offices of department head, bureau chief, and magistrate in the provincial, city, and county level governments.

In the past, Chinese officials were selected mainly by officials, while people in other fields were excluded. The Organization Department made the judgment and decision or an appointment was made by a leader. This process had a mystical characteristic which easily gave rise to the defects of appointing people by favoritism and getting things done through pull.

Since 1985 Zhejiang has started to openly select officials from society. The posts have included deputy magistrates and responsible people of the city, county, and provincial government departments. Those who met the requirements could apply by themselves or be recommended by others. The applicants had to undergo a systematic assessment, which included examination of qualifications, a written test, an interview, and an overall test of the candidate's essential factors, and only the best would be selected through competition on an equal basis.

This method of openly selecting officials evoked strong feelings among various social circles. Some 10,000 people submitted their applications for the 200 vacant official posts. They included workers, peasants, clerks, and nonparty people.

The present director of the Environmental Protection Bureau of the provincial government used to be an unknown head of an environmental protection monitoring center. He was selected from more than 100 applicants through examination, overall assessment, and interviews. He beat his rivals and became the chief responsible official of the entire department.

Of those selected, separate arrangements were made for 120 candidates, and the names of over 800 applicants were put in the bank of qualified personnel of the organization departments.

Central-South Region

Guangdong Refutes Rumors of Wage, Price Hikes
*HK2906044388 Guangzhou Guangdong Provincial
Service in Mandarin 0400 GMT 29 Jun 88*

[Text] The Guangdong provincial people's government issued an urgent notice yesterday, stating: Rumors have been rife recently to the effect that there will be big wage and price increases starting 1 July. This has caused some of the masses to withdraw large sums from the banks in a rush to buy up commodities.

The provincial government solemnly states that these rumors are untrue.

The notice points out: As economic construction develops, it is right and proper to gradually increase the wages of state cadres, staff, and workers. However, at present the state is in difficulties and cannot spend vast sums of money on a big increase.

The notice stresses: Price reform is an important component of the entire economic structural reform, and it must be carried out. However, it is being carried out in a planned and measured way. In the course of price reforms, along with the development of commodity economy and changes in market supply and demand, it is quite normal that some commodity prices should rise while others fall.

The notice says: The state has adopted some regulation and control measures, so a big price increase cannot occur. The provincial government calls on the government at all levels and the departments concerned to do a good job in propaganda work among the masses while concentrating forces for a major price inspection. People who spread rumors to deceive people into a rush to buy should be pursued by the law.

Guangdong Joint Venture Success Viewed
OW2806002488 Beijing XINHUA in English
1353 GMT 26 Jun 88

[By XINHUA correspondents Qu Zhi and Huang Shaomin]

[Text] Guangzhou, June 26— It took five years for the Swarovski Co., Ltd, a world-renowned jewelry concern, to find an ideal place for investment in China.

And then it found Huizhou, located in the eastern part of Guangdong Province's Pearl River Delta.

The city now harbors the first Sino-Austrian joint venture—the Huisi Fashion Jewelry and Crafts Co., Ltd.

Huizhou is not an isolated case. At the province's economic and trade fair held in Hong Kong this March, cities and counties in the delta captured most of the total of 868 contracts, with a total investment of 2.4 billion U.S. dollars. Some foreign investors said the delta area is one of Asia's two most ideal places for investment.

As the most prosperous area in Guangdong, the delta covers 35,000 sq km and has a population of 16 million. It neighbors on Hong Kong and Macao, and is well known as the ancestral home of many Overseas Chinese.

Since China opened to the outside world in 1978, foreign investors have swarmed to the region. Statistics show that by the end of 1987 Guangdong had contracted 70,000 foreign-funded projects, which brought in a total of five billion U.S. dollars. About 70 percent of the investment is concentrate in the delta.

"The situation is even more promising. In the first three months of this year the delta saw a big increase both in amount of funds and number of projects compared with the same period of last year," said Lin Junrui, deputy director of the province's Commission of Foreign Economic Relations and Trade.

Lin attributed the region's success to improved infrastructure and preferential policies, in addition to favorable natural conditions.

Priority has been given to improving power supply, traffic, and posts and telecommunications facilities. Power shortages have been basically overcome and the province's newly-built or renovated 7,000 km of highways and 1,130 bridges crisscross the region.

A direct-dial telephone system has linked the region with a dozen of countries and regions such as the United States, Canada, Great Britain, Holland, Federal Germany, Italy, Switzerland, Spain, Japan, and Hongkong and Macao.

A package of preferential policies has been put into effect in the region including financial support for joint ventures. In 1987 alone, Fushan City arranged a sum of 60 million U.S. dollars to help joint-venture enterprises to pay their foreign investors.

Local governments respect foreign-invested enterprises' autonomy in production and management, and also help them to improve their administration. In these enterprises boards of directors have been set up.

Most cities in the region have service centers providing joint-venture enterprises with services such as applying for land-use rights, tax exemption and bank loans. Customs offices have simplified procedures to facilitate commodity imports and exports.

Moreover, working efficiency has been raised in approving foreign-invested projects. For instance, in Dongguan City procedures for setting up such an enterprise can be completed within a day.

Guangxi's Guilin City Improves Environment
OW2806081888 Beijing XINHUA in English
1443 GMT 27 Jun 88

[Text] Nanning, June 27 (XINHUA)— Shoals of fish have returned to the Lijiang River and ospreys, birds that help fishers catch fish, have multiplied as the water quality of the river has improved.

The limpid Lijiang is a scenic spot in Guilin, one of China's tourist attractions in the Guangxi Zhuang Autonomous Region, known for its unique landscape.

Before 1979, the city paid attention only to economic results and neglected environmental protection. As a result, many factories built along the river banks discharged a great deal of waste industrial water and sewage into the river, severely polluting it and causing fish to die and ospreys to become weak and sterile.

It also had an adverse effect on tourism.

To improve the environment, Huang Guojun, director of the city's Environmental Protection Bureau, said the city government has invested 18.09 million yuan in helping 31 plants install antipollution facilities to treat waste water before discharging it into the river.

Altogether 415 sets of facilities were installed treating 9.7 billion liters of waste water, or 29 percent of the city's total, a year.

The city has built 2 sewage treatment plants with an investment of 1.5 million yuan, thus stopping 40 million liters of sewage from being directly discharged into the Lijiang.

According to the director, Guilin is building a wastewater treatment plant and plans to expand another one.

The director said installation of dust removers in 99 percent of industrial boilers in Guilin has helped recover 145,000 tons of coal dust a year. To further control air pollution, the city has upgraded 40 percent of the industrial boilers and installed exhaust mufflers in motor vehicles.

The city's construction department has built a liquified petroleum station to supply 30,000 households, or some third of the city's total families, with cooking gas.

According to the director, the city, with a population of 320,000, has more than 1,000 street cleaners beautifying the city every day.

Since a rubbish disposal plant with an annual handling capacity of 65,000 tons of rubbish was built in 1986, less rubbish has been seen in the streets.

Although the city has closed down and removed 27 plants and workshops that discharged severe pollutants, chimneys of a number of plants on the upper reaches of the Lijiang still spew thick, black smoke.

Hubei Secretary Urges Guidance for Reform
HK2906014988 Wuhan Hubei Provincial Service
in Mandarin 1130 GMT 28 Jun 88

[Excerpts] The Hubei Provincial Academy of Social Sciences has scored marked achievements in 10 arduous and pioneering years of reform and opening up. Provincial party committee Secretary Guan Guangfu hopes that the academy and social science circles in the province will play a still greater role. [passage omitted]

The academy held a gathering this morning to celebrate its 10th anniversary. President (Xia Zhenkun) gave an overall account of the academy's growth and development in the course of reform and opening up. Present at the gathering were Xu Penghang and Han Nanpeng, vice governors; Xu Daoqi, chairman of the provincial Advisory Commission, and Chen Ming, vice chairman. [passage omitted]

Guan Guangfu spoke at an anniversary forum of social scientists. He said: Practice is calling for theory. Reform urgently needs theoretical guidance. As the province's Social Science Research Center, the provincial Academy of Social Science should face Hubei, the whole country, and the world, and continue to play its role in theoretical research, in providing advice, and in organization and coordination, to ensure that the province's social science cause can develop still more.

Hubei's Wuhan Uses Housing Cooperative System
OW2806051888 Beijing XINHUA in English
1330 GMT 27 Jun 88

[Text] Wuhan, June 27 (XINHUA)— In Wuhan, capital of central China's Hubei Province, housing cooperatives have been adopted as an effective way to pilot housing reform.

Electrician Chen Yanlin, 44, and his 4-member family used to be crammed into a 12-sq m room. But, since he became a member of the Wuhan Changmatou Housing Cooperative he has been able to buy an apartment with an area of 47.18 sq m for 10,300 yuan.

Meanwhile, all the other 65 members of the cooperative also moved into their own new apartments.

The cooperative, set up in May last year, collects deposits from workers, practices mutual aid and cooperation, and adopts democratic management as it tries to alleviate the housing shortage for residents in the city.

The cooperative, the first of its kind in Wuhan and formed by workers, salesmen, and teachers from 44 units, raised a total of 989,100 yuan. Last July, the cooperative started construction of two six-story buildings.

At the same time, the city government has adopted a preferential policy toward housing cooperatives, said an official from the city government.

He said that the prices of the 66 flats built by the Changmatou Housing Cooperative are only two-thirds of the price for similar commercial apartments.

So far, two other workers' housing cooperatives, with 100 members, have also been formed in the city.

Meanwhile, the Wuhan City Government also plans to build a cooperative "village" on 6.6 hectares of land. The construction of the village will be started within this year. When completed, the village will provide houses for 2,000 urban families.

Statistics show that in the city there are now 6,648 families that are badly affected by housing shortage, of which each member has a living space of less than 2 sq m.

Hunan Secretary Speaks at CPC Anniversary Forum
HK2906013188 Changsha Hunan Provincial Service
in Mandarin 2200 GMT 28 Jun 88

[Excerpts] The provincial party committee held a forum in Changsha on 28 June to mark the 67th anniversary of the founding of the CPC. Xiong Qingquan, secretary of the provincial party committee and governor; Wan Da, chairman of the provincial Advisory Commission; (Xia Zanzhong), member of the Standing Committee of the provincial party committee and director of the Propaganda Department; and (Yang Lizhi), secretary of the provincial Discipline Inspection Commission, attended the forum. Also

present were outstanding party members, party workers, leading party-member cadres, and retired veteran comrades from the prefectures and cities. [passage omitted]

Comrade Xiong Qingquan said that the party has now experienced the test of holding power for nearly 40 years. We have also undergone the test of reforms and opening up for almost 10 years. The party has now become the strong core leading the socialist cause. In the new historical conditions, the party members are, generally speaking, able to withstand the tests of holding power and of reform and opening up, and have played their vanguard and model role. However, the question of how the party organizations and party members can withstand these two tests remains a conspicuous issue confronting the party organizations at all levels and the 2.3 million party members throughout the province, and the tests will become more and more rigorous as the reforms deepen and commodity economy develops.

Discussing how party members can withstand the tests of holding power and of reform, Xiong Qingquan stressed that, in general, it is essential to set strict demands on oneself in accordance with the criteria for party members set forth in the party constitution. He pointed out that, at present, it is particularly necessary to pay attention to clearly understanding and shouldering the historic mission and strengthening awareness of the CPC as the vanguard force. [passage omitted]

Hunan Productive Force Criterion Discussed
HK2806060188 Beijing GUANGMING RIBAO
in Chinese 12 Jun 88 p 3

[Article by Xiong Qingquan (3574 3237 3123), secretary of Hunan CPC Provincial Committee and governor of Hunan: "Firmly Grasp the Criterion of Productive Forces, Further Emancipate the Mind"]

[Text] The Fifth Plenary Session of the Fifth Hunan Provincial CPC Central Committee decided last December, to require party members and cadres of the whole province, leading cadres at all levels in particular, to conduct earnest discussion on the productive force criterion. It was also decided that 2-week study classes would be held for secretaries and deputy secretaries at county and city levels by stages and in groups. Over the past 6 months, party committees at all levels throughout the province have taken a firm grasp of the matter, and the discussion on the productive force criterion has universally unfolded throughout the province.

The purpose of our discussion is to emancipate the mind further, to deepen further reform, and to emancipate the productive forces further. Regarding the provincial situation, we have not emancipated our minds sufficiently, and have not adapted to the new situation of reform and opening to the outside world. The difficult problem in emancipating the mind is the lack of in-depth understanding of productive force development, the primary and most fundamental issue. Hence, it is essential to

conduct provincewide discussion on the productive force criterion to deepen people's understanding. The discussion on the productive force criterion today is actually the continuation and deepening of the discussion on the truth criterion. Reviewing the situation over the past few months, I believe that it is necessary to pay special attention to resolving the following issues:

First, To Deepen the Understanding of the National, City, and County Conditions by Applying the Productive Force Criterion, and To Strengthen the Sense of Pressure and Responsibility To Develop Social Productive Forces [subhead]

Based on China's actual conditions characterized by backward productive forces and an underdeveloped commodity economy, the 13th party congress has proposed the theory of the initial stage of socialism. To understand genuinely and master this theory, it is imperative for us to make an objective analysis of our national conditions by applying the productive force criterion. Marxism believes that the productive force is the ultimate decisive force in social development. Deviating from the development of productive forces, everything will reduce to fantasy. China's socialist system is built on the basis of a semicolonial and semifeudal society. Despite the fact that China has scored universally acknowledged accomplishments in socialist construction over the past three decades and more, China's per capita gross national product is still lagging behind many countries in the world because of its large population and weak foundation. China's productive force level is low, but Hunan's productive force level is even lower than other provinces in the country. In the past, we often referred to Hunan as "three lands and a spot." This still holds true. Hunan is really a land of plenty, ample in nonferrous metals, and a land rich in nonmetal mining resources, in addition to being a scenic spot. However, these rich natural resources have not been exploited yet, and remain potential, but not realistic productive forces. The province's major economic indexes have more than doubled since the 3rd Plenary Session of the 11th Central Committee. If we make a vertical comparison between the present and the past, we will think that the progress made is pretty good. But when we make a lateral comparison with neighboring provinces and regions, our backwardness is keenly felt. At present, Hunan's population ranks sixth in China, but its GNP, national income, and gross industrial and agricultural output value all rank 11th in China, while the three indexes are below the national per capita level. Especially our southern neighbor, Guangdong, has opened to the world in a far wider range; it is more invigorated in all work, prompt in starting its projects, and more powerful in its economic strength than our province. Our northern neighbor Hubei is stronger in economic foundation, and faster in developing than us. Jiangxi to our east and Guizhou to our west have both stepped up their economic development pace in recent years. We could say that Hunan is bogged down in an awkward situation, in which it is "under the joint-attack by its northern and

southern neighbors," while being "sandwiched by its neighbors to the east and west." When applying the productive force criterion in analyzing China's national conditions, we find that China is facing the opportunity and challenge of the competition as well as structural readjustment of world economy. When doing the same in analyzing Hunan's conditions, we find that the province is facing the challenge of neighboring provinces in development speed and of coastal regions in implementing the new strategy for economic development. While analyzing the national and provincial conditions by applying to the productive force criterion, Hunan's comrades of various prefectures, cities and counties should further deepen the understanding of their city or county conditions, and find out where they stand. Whether we start from the national, or provincial, or city, or county conditions, we should acquire a sense of pressure and responsibility for stepping up the development of productive forces. It is imperative for us to pull ourselves together, to go all out to make progress, to give a free hand to developing productive forces, and to do our utmost to step up Hunan's modernization.

To Renew Our Concepts With the Productive Force Criterion, and To Work Hard To Heighten Our Consciousness in Developing Socialist Commodity Economy [subhead]

The basic way to step up productive force development is to develop socialist commodity economy in a big way. Practice has proved that the development of productive force development is always linked with commodity economy development. The practice of product economy and natural economy can only shackle productive force development. Only by going in for commodity economy will it be possible to promote the rational organization in production of enterprises as well as the peasants with the market as the directional guidance, to promote the development of social division of labor and of science and technology, and to achieve the still greater emancipation of the productive force. Hunan is located in the hinterland. It has long been in a cocoon, or semicocoon state, and the concept of a self-sufficient natural economy is deep-rooted. It is said that we Hunanese are capable of soldiering, farming, and writing books, but not of doing business. Our sense of commodity economy is really a far cry from that of the coastal developed regions. Therefore, it is necessary for us to further renew our concepts with the productive force criterion, to discard the old concepts of product economy and natural economy, and to establish the new concept of commodity economy. We should discard the old concepts of following the beaten path and the cocoon state characterized by severing all contact with other provinces, and establish the new concept of reform and opening up. In addition, we must discard the old concept of solely relying on administrative means in economic management, while setting up the new concept "with the government regulating the market, while the market guides enterprises." In this way, Hunan will make progress in commodity economy on the basis of renewing

concepts. In developing commodity economy, the most important point is to set up the market concept, the information concept, and the competition concept. The market is the entity of commodity exchange relations; without a market, there would not be any commodity economy. Because of the effects of the product economy concept, some of our comrades are used to producing commodities with whatever local natural resources are within reach, they will try to find a market when the products are turned out, without giving a thought to market demand beforehand. The rise and fall of hemp production in the Dongtinghu area serves as a conspicuous example. "People made a fortune out of hemp in 1986, but suffered a disastrous loss in 1987." How come? It was because of failing to forecast the home and overseas markets, while continuing to expand production blindly, despite the saturation of hemp in 1986. Therefore, we must intensify our market concept, and be good at readjusting product mix and managerial activities based on market demand. However, the commodity market is forever changing, it is imperative to accurately and timely master market information if we are to avoid a "slip" in a "risky jump." Over the past few years, many examples of "one piece of information saving a factory, or helping a village become well-off, or bringing in more than a million in foreign exchange" have surfaced in the province's urban and rural areas. On the other hand, however, the economic losses resulting from inaccessibility to information or arbitrary decisionmaking have also been serious. Therefore, we should value highly the role of information, regard information as a kind of wealth, be good at gaining and amassing all kinds of economic information as well as their careful selection and application. At the same time, it is imperative for us to intensify the competition concept. Where there is commodity economy, there must be competition. To show respect for the law of value, we must allow and support competition. In competition, survival of the fittest is inevitable, and an objective law at that. The phenomena of enterprise bankruptcy and merger in recent years illustrate the survival of the fittest. Enterprise merger or transfer of property right with compensation are favorable to reorganizing the essentials of enterprise production, the solution to enterprise deficits, and bringing up a new generation of entrepreneurs. We should support competition with a clearcut stand. It is necessary to promote, through competition, all trades to work hard to improve their levels of science and technology as well as operation and management, thereby stepping up the pace of productive force development.

And Third, To Judge Right and Wrong by Applying the Productive Force Criterion To Step Up Further the Pace of Reform and Opening Up [subhead]

To develop socialist commodity economy, it is vitally important to reform firmly those old structures that have shackled the development of commodity economy and productive forces, while eliminating the erroneous effects of "leftism." This involves the questions of how to understand new things, by what criterion to judge right and wrong, and

how to analyze and resolve all kinds of contradictions continuously surfacing in the course of reform. Based on Marxist historical materialism, the criterion by which we judge right and wrong and settle issues can only be the productive force criterion, "deviating from which, while judging by abstract principles and fantastic patterns can only spoil the reputation of Marxism." All that is favorable to productive force development conforms to the people's interest, and are needed by socialism; hence, they are rational. All that is unfavorable to productive force development run counter to scientific socialism, and are not allowed by socialism; hence, they are wrong, and must be discarded or corrected.

Starting from such an understanding, we should be bolder in developing productive forces, and our pace for reform and opening up should be faster. For example, regarding ownership structure, we should be bolder in developing collective and individual economies as well as the private sector, while invigorating enterprises owned by the whole people. We have too many misgivings regarding the development of individual and privately owned enterprises, giving them little support; we are always wavering over whether they fall into the category of capitalism or socialism. In fact, individual and privately owned economies are necessary and helpful supplements to the public-owned economy. It is entirely justifiable to encourage and to support their development. Regarding distribution, we should further do away with egalitarianism and "eating from the same big pot," and explore diversified means of distribution as well as a distribution policy with distribution according to work as the key. The system of linking the volume of wages with economic results in all enterprises, the piece-work wage system or quota wage system among all workers and staff, the risk wage system for managers, and the system of sharing profits according to contributions as well as other legitimate income derived from other than work should all be firmly implemented throughout the province. Regarding government economic control, it is necessary to further implement decentralization, to change the functions of government departments, and to implement the separation of the party from government, and of the government from enterprises. Rules and regulations concerning direct control of the government over enterprises should be thoroughly changed to make enterprises genuinely independent commodity producers and managers. With the implementation of the contracted managerial responsibility system and the separation of the party from the government, and of the government from enterprises, it is necessary to intensify the managerial power of enterprises, including the right to possess, to use, and to dispose of assets. Enterprises should be allowed to make investment in the form of holding each other's stocks, based on the needs of production management. Joint-stock economy should be developed on the basis of the contracted responsibility system, with the circulation, purchase, and transfer of shares with compensation. In the rural areas, while stabilizing and making complete

and perfect the system of contracted household responsibility related to output, it is necessary to adopt a preferential policy to encourage the peasants to develop neighborhood economies and to develop production of an exploiting nature. In developing hilly land, water surface, and animal husbandry, it is advisable to develop management of a moderate scope as well as village-run economies with service trades as the key. Regarding price reform, it is necessary to take bold and steady steps to conduct reform, starting with being favorable to the development of commodity economy.

Because of the erroneous effects of "leftism" over the years, people are often confused about what socialism really is like, many things shackling productive force development have been regarded as conforming to "socialist principles" and rigidly followed. While many other things being favorable to productive force development, commodity production, socialized production and modernization have been regarded as "capitalist comeback," and opposed. An important task facing us now is to emancipate people's minds from this impractical framework through the discussion on the productive force criterion, thus drawing a demarcation line between scientific socialism and utopian socialism, and further emancipating people's minds. Ideological emancipation will certainly lead to the emancipation of social productive forces and the development of socialist commodity economy. Only with the emancipation of the productive force and the development of commodity economy will it be possible to push forward the progress of history as well as the vigorous development of the socialist cause.

North Region

Shanxi Enterprises Hire Lawyers as Consultants
OW2806212288 Beijing XINHUA in English
0812 GMT 28 Jun 88

[Text] Taiyuan, June 28 (XINHUA)—Over 1,180 enterprises in north China's Shanxi Province have hired lawyers as consultants, XINHUA learned today.

An official said that this development reflects the fact that economic units in China are referring more to law than administrative departments in protecting their legal interests.

According to statistics, the lawyers helped companies avoid losses of 89 million yuan last year alone.

Lawyers are also able to assist companies in developing regulations and setting up administrative procedures.

Some lawyers are also involved in disseminating Chinese laws and policies to foreign investors.

Northwest Region

Ningxia Prefecture Benefits From Economic Aid *OW2806055988 Beijing XINHUA in English* 1352 GMT 27 Jun 88

[Text] Yinchuan, June 27 (XINHUA)— A decade of large scale capital construction and economic aid from the central government and the United Nations' World Food Program have greatly improved the living conditions of rural residents in Xihaiyu Prefecture, one of the poorest regions in China.

The prefecture, at the center of the loess plateau in the Ningxia Hui Autonomous Region, north-central China, includes eight counties which are arid, infertile, and suffer from soil erosion. Over 70 percent of its 1.7 million local farmers used to live on government relief. Others left the region to make a better living elsewhere.

The state allocated 550 million yuan in the past decade to the region to help its people cast off poverty and backwardness. The World Food Program also provided the prefecture with 95,000 tons of grain.

With the funds, the prefecture has built 8 agro-technical stations, 9 specialized livestock breeding centers, and 39 multi-purpose centers for animal husbandry.

In addition, the region's people planted trees on an area totalling 249,000 hectares and covered another 176,000 hectares of hilly areas with grass.

With the completion of a number of large and medium-sized water conservancy projects, 51,000 hectares of farmland are now under irrigation.

Thanks to the popularization of modern cultivation technology, the region's per hectare grain output has risen from 375 kg to 1,500 kg.

Meanwhile, more than 25,000 township enterprises have been established, employing 90,000 local farmers. The output value of these enterprises has increased at an annual rate of 40 percent.

As a result, the annual per capita net income of local residents in 1987 was 155 yuan, quadrupling the 1980 figure. The average annual grain consumption for one farmer increased from 117 kg in 1980 to 224 kg in 1987. At the same time, the number of people lacking adequate food and clothing was reduced by 40 percent.

Reliable sources said the state will give the region another 200 million yuan in aid in the next 5 years.

Rapid population growth continues to worry local officials, however. Population totals in the prefecture have increased 3-fold in the past 3 decades,— from 530,000 in

the early 1950s to the present 1.7 million, while the annual grain output has only doubled since the 1950s. Moreover, another baby boom is expected.

Shaanxi Reports Serious Drought Effects *HK2906021788 Xian Shaanxi Provincial Service* in Mandarin 2330 GMT 28 Jun 88

[Excerpts] Drought is serious in Shaanxi, and over 20 million mu of autumn crop fields are affected. This has had a serious effect on the sowing and sprouting of late autumn crops and the growth and flowering of early autumn crops. Most parts of the province have had sustained drought and high temperatures since the beginning of June. In Guanzhong region and southern Shaanxi, some 3.5 million mu of late autumn crops could not be sown on time because of the drought, and 1/3 of the late autumn crops sown have failed to sprout. Sprouts have already withered and died in the dryland areas.

At the current crucial moment of fighting drought, sowing, and tending the young crops, reports from many places say that there are shortages of electricity, diesel fuel, and chemical fertilizer and pesticides. Some water conservancy installations are incomplete. All these factors seriously affect the smooth progress of fighting drought.

It is understood that there are frequent power cuts in the 14 counties and districts of Xianyang City. In particular, there is serious power shortage in Liquan, Sanyuan, and Jingyang counties and (Weicheng) district. Due to the diesel fuel shortage, some 2/3 of the city's 1,600 pumping stations cannot be operated. [passage omitted]

At present the drought is continuing to spread, and it is imperative to improve services for fighting the drought. The sectors concerned must pay great attention to this.

Shaanxi Leaders Relay Zhao Ziyang Instructions *HK2906042388 Xian Shaanxi Provincial Service* in Mandarin 2330 GMT 28 Jun 88

[Excerpts] The Shaanxi Provincial CPC Committee held a gathering of leading cadres of the provincial organs on the morning of 28 June, to relay the important instructions given by General Secretary Zhao Ziyang during his inspection of the province. Provincial party committee Secretary Zhang Boxing gave specific views on implementing the spirit of these instructions. Deputy Secretary Mou Lingsheng presided.

Governor Hou Zongbin began by relaying Comrade Zhao Ziyang's instructions in five aspects: 1) on the current situation and tasks; 2) on work in Shaanxi; 3) on reforming the internal mechanism of large and medium-sized enterprises; 4) on developing enterprises in the mountain valleys; 5) on certain other specific issues.

Comrade Zhang Boxing then gave specific views on implementing the spirit of General Secretary Zhao Ziyang's instructions and further improving all work in

Shaanxi. He said: At present the general situation in the province is good, but we are still facing many problems. Viewing our work, our pace in reform is not great enough, the economy is not lively enough, and there are still very acute difficulties in various respects, especially in shortage of finances. We must seriously study and appreciate the spirit of Comrade Zhao Ziyang's instructions. At the crucial moment of reform, we must further unify our thinking, brace our spirits, clear away interference, break through the difficult pass, and promote the four modernizations drive and all reforms in the province. [passage omitted]

In line with the spirit of Comrade Zhao Ziyang's instructions, we should at present get a particularly good grasp of reforming the internal mechanism of large state-owned enterprises, and strive for a breakthrough in four respects in contracting in the second half of the year: 1) in introducing the competitive mechanism; 2) in the large enterprises and in reform; 3) in reforms within the enterprises; 4) in changing the functions of the departments in charge.

Zhang Boxing said that the key to launching in depth the mass discussion on the productive forces criterion lies in having the party committees at all levels tangibly strengthen leadership in line with the provincial party committee's arrangements and do a thoroughly sound job in their work, to produce good results.

On separating party and government functions, Zhang Boxing said that in the second half of this year, on the basis of organizing pilot projects, we should further speed up the pace of separating party and government functions in the enterprises. We should strive to basically harmonize party-government relations and complete the reform of the enterprise leadership setup in the province's 10,000-odd enterprises by the end of this year or the beginning of next.

Zhang Boxing pointed out that a conspicuous problem that has existed in Shaanxi for some time is the internal wrangling, factional fighting, and splits indulged in by a very small number of people in a few leadership groups. Everyone detests internal wrangling. The provincial party committee holds that resolving the problem of internal wrangling must be placed on the agenda. We must conduct education in strengthening party spirit

[words indistinct] and tangibly resolve the problem of internal wrangling in the party organizations and the leadership groups at all levels in the second half of this year. To deal with leadership groups where this problem is serious, the provincial party committee has decided to send some comrades, including some veteran comrades, to help them to resolve the problems. For leadership groups and individuals that still fail to mend their ways despite education and assistance, it is essential to take resolute organizational action after getting a clear picture of the rights and wrongs. Their members should be transferred elsewhere or punished, as appropriate.

Responsible people of the provincial departments attended the gathering.

Xinjiang Secretary Attends CYL Congress
HK2806151588 Urumqi Xinjiang Regional Service
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[Excerpts] The Seventh Xinjiang Regional CYL Congress opened solemnly in the Hall of the People in Urumqi City yesterday afternoon. Song Hanliang, Tomur Dawamat, Janabil, Li Shoushan, Zhang Sixue, and other party and government leaders of the region attended the opening ceremony. [passage omitted]

In his speech, deputy secretary of the regional party committee Janabil pointed out: We are in the times of reform and openness. Fighting in unity to rejuvenate Xinjiang is the common will of the 14 million people of all nationalities in Xinjiang. The vast numbers of CYL members should be bravely charged with this important historic task. Meanwhile, they should live up to the expectations of the party and the people, courageously take on heavy tasks in the great practice of developing and building Xinjiang, and make intensive and pioneering efforts to cultivate themselves as qualified people. At present, they should be more conscious of strengthening national unity and maintaining and developing political stability and unity, take an active part in reforms, and play the role of a new force in the building of the two civilizations so as to make contributions to the the region's political and economic development. [passage omitted]

Before the opening ceremony, Song Hanliang, Tomur Dawamat, and other party and government leaders of the region met with all representatives and working personnel and had photo taken with them.

Mainland Academician Discusses Reunification
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OVERSEAS EDITION in Chinese No 26, 27 Jun 88
pp 6-8

[Article by Chen Dengcai (7115 4098 2088), associate professor of political science: "The Question of Peaceful Reunification Between China's Mainland and Taiwan (Part One)—A Further Discussion With Messrs Yang Li-yu and Mr Kao Ying-mao"—passages in boldface as published]

[Text] Editor's note: Issues No 39, 46, and 47 of our magazine last year published two special articles by Chen Dengcai on discussions with scholars abroad on the question of reunification of the motherland. One of the articles ("One Country, Two Systems' Is the Best Pattern for the Peaceful Reunification of the Motherland—A Discussion With Kao Ying-mao and Yang Li-yu") has arrested the attention of some scholars abroad. In issue No 2 of CHIU-SHIH NIENTAI this year, Messrs Yang Li-yu and Kao Ying-mao published an article entitled "A Discussion on the Question of the Reunification of the Motherland—A Response to a Special Article by the Weekly LIAOWANG," airing different views from those in Chan's article. The fact that scholars at home and abroad can conduct a dialogue on the question of the peaceful reunification of the motherland, air their views freely, and carry out joint explorations is beneficial to enhancing understanding, making a clear distinction between right and wrong, and increasing their common understanding. To carry out this dialogue in a wider and more profound way, our magazine publishes in two parts Chen Dengcai's article aimed at further discussing this issue with Yang Li-yu and Kao Ying-mao. We hope that scholars both at home and abroad will contribute their wisdom and strength to promote the great cause of the peaceful reunification of the motherland. [end editor's note]

Last year in LIAOWANG I published a special article entitled "'One Country, Two Systems' Is the Best Pattern for the Peaceful Reunification of the Motherland—A Discussion With Mr Kao Ying-mao and Mr Yang Li-yu." After that, I found that Mr Kao and Mr Yang again aired their different views. I believe that frankly airing our own views is beneficial to continuing to make a distinction between right and wrong and to gradually reaching a common understanding. But I find that the article by Messrs Yang and Kao, which responds to my article, is full of more marked political coloring. Therefore, I think it is necessary to discuss again in this article with them and to make specific analyses of certain of their important arguments.

On the Question of the Obstacles to Reunification [sb-head]

Messrs Yang and Kao believe that the "obstacle to reunification has come from the CPC." Mr Yang Li-yu has repeatedly expressed this view, and now he has

systematized it. To me, your starting point and foothold for expressing such a view is understandable. Different views may also be expressed on the obstacles to the present-day reunification of China. However, facts cannot be distorted, and a distinction must be made between right and wrong. Although you have listed various kinds of reasons, you have neglected the basic facts. Therefore, you have confounded right and wrong, and your argument does not hold water.

1. On the Question of Political and Economic Systems

It is true that the political system implemented by the CPC and the Chinese on the mainland is different from the political system in Taiwan. It is precisely this difference that makes the implementation of "one country, two systems" necessary. Therefore, the state plans to set up special administrative regions, so that two systems may coexist in a state. The implementation of "one country, two systems" in practice will give rise to a new Chinese-style political system in the eastern part of the world. This can never be regarded as an "obstacle" to the reunification of China.

Full development has been achieved in the urban and rural economic structural reforms on the mainland. We are now in the process of replacing the old system with a new one. With the deepening of reform, we will gradually establish a new order of the socialist commodity economy, and gradually form a new system of planned commodity economy characterized by the inherent unity between planning and the market. We will give play to the new economic operational mechanisms of the "state regulating the market, and the market guiding enterprises." This is a new creation in Chinese history. The practice of reform will gradually change the state of the long-term backward and underdeveloped commodity economy and bring true economic prosperity to China. Although we must take risks in reform, our course has been charted. By making efforts, the strategic goals of economic development on the mainland can be fulfilled. Contrary to what you have said, this cannot become an "obstacle" to the reunification of China.

China is a big country, and uneven economic development in various regions will exist for a long time. This is the case with the Taiwan area and the mainland area. This situation cannot be changed in a short period of time in different regions on the two sides of the Strait. There are certain economic gaps between the two sides of the Strait. With the development of the productive forces, new changes will take place. The speed, scale, and achievements obtained in economic development on the mainland over the past 10 years have shown this. Just as Deng Xiaoping told the the American reporter Wallace, I believe that the speed of development on the mainland will not be lower than Taiwan in several years to come. The reason is simple: The mainland is rich in resources, whereas Taiwan is extremely lacking in resources. The potentials of the mainland have not been fully tapped, but they will be fully tapped very soon. This tells us that

economic strength should not be partially assessed. It should be assessed as a whole, and both present achievements and future development must be taken into account. Messrs Yang and Kao regard Taiwan's present economic strength as a point for "resisting the CPC." But they cannot be regarded as "wise staff officers" of the Taiwan authorities, because they have regarded the uneven economic development in different regions in China as an "obstacle" to the reunification of the country. They have also regarded this as a key condition for "Taipei refusing the pattern of 'one country, two systems' all along." This argument does not hold water. By deviating from the common desire of the people of various nationalities throughout China for the early reunification of the country, it is impossible to realize the great invigoration of the Chinese nation.

2. The Question of "One-Party Dictatorship"

On the mainland, the CPC is a party that leads the state power of the whole country. However, contrary to what Messrs Yang and Kao have said, it is not a "one-party dictatorship." The CPC has persisted in the guiding principle of "long-term coexistence, mutual supervision, showing utter devotion to each other, and sharing honor or disgrace together" with various democratic political parties. At present, efforts are being made to continue to perfect the multiparty cooperative and consultative system under the leadership of the Communist Party to further give play to the role of democratic parties and nonparty patriotic personages in the political life of the state. This is a fact that is obvious to people at home and abroad. Why should New China, which pursues the people's democratic dictatorship and the status of the CPC as the ruling party, become an obstacle to the reunification of China? Do Messrs Yang and Kao also say that the KMT's [Kuomintang's] status as ruling party in Taiwan is an obstacle to the unification of China?

Messrs Yang and Kao say that the "one-party dictatorship" of the CPC is an obstacle to the reunification of China. This, at least, shows that they do not understand specific conditions in China, and that they have neglected the peculiarities and strong points of China's political system. In the meantime, you regard various parties, which participate in and discuss political affairs and take part in the administration of the state, as "'vase parties' which decorate democracy." This cannot be taken as a serious and responsible attitude.

3. On the Question of the "Four Upholds"

The mainland upholds the four cardinal principles (namely, the socialist road, the people's democratic dictatorship, the leadership of the Communist Party, and Marxism-Leninism-Mao Zedong Thought). This is the foundation of the founding of our country. Since the 3d plenary session of the 11th CPC Central Committee, we have not only upheld the four cardinal principles, but also persisted in the general guiding principle of reform and opening up. The general guiding principle of reform

and opening up has added the substance of the new era to the four cardinal principles. The "four upholds" and reform and opening up are unified in the practice of socialism with Chinese characteristics. Our policy for Hong Kong, Macao, and Taiwan is formulated on the basis of upholding the four cardinal principles. Without the CPC and Chinese socialism, who could formulate such a policy? This policy contains two sides. The first side is that the main part of the country is socialist. This is the foundation of the policy. The other side is that special regions, such as Hong Kong, Macao, and Taiwan, are allowed to pursue capitalism for scores of years, or for a hundred years. This is the main manifestation of the policy. Therefore, when we talk about "one country, two systems," we should look at the two sides. Otherwise, the "two systems" will become "one system."

The aim of the CPC and the Chinese Government in proposing the idea of establishing the special administrative regions is, first of all, to solve the question of the peaceful reunification of the mainland and Taiwan. The idea is practiced in the course of solving the questions of Hong Kong and Macao. That socialism will not be pursued in the special administrative regions is legally and reliably guaranteed in the PRC Constitution.

However, Messrs Yang and Kao maintain: "The promise given by the CPC and the central government that 'no change will be carried out' will be abrogated once Taiwan becomes a special region-type local government, and that the action will be approved by the 'rubber stamp-type' parliament. Hong Kong is an example." This argument has actually spread the idea of not trusting the CPC. Any scholars, as long as they correctly understand "one country, two systems," and do not adopt a hostile attitude toward it, will never make such a conjectural judgment by taking Hong Kong as an example.

Facts merely run counter to their argument. A draft of the Basic Law of the Hong Kong Special Administrative Region of the PRC (for Solicitation of Opinions) has already been published on 29 April this year. The Basic Law Drafting Committee is going to solicit extensive opinions on this draft in Hong Kong and other parts of China over 5 months. Different articles that had been proposed were also published along with the Draft Basic Law with the aim of seeking an optimal version through discussion among people in all circles. There is no precedent for this in the history of law in China or abroad. However, you complain that the Draft Basic Law "reflects the CPC's intention to bring everything under its control." This is nothing but a lame argument. The Hong Kong Basic Law Consultative Committee has already begun extensively consulting people in Hong Kong on the draft basic law. This shows that it is definitely not "empty talk" as you have put it. As for your complaint that "what the CPC is planning to do is to stage a show of 'Hong Kong people ruling Hong Kong' while 'ruling Hong Kong with Beijing officials' behind the scenes," or that "Beijing will exercise remote control over those Hong Kong people who are ruling Hong

Kong." All such arguments are nothing but demagoguery. The broad masses of Hong Kong people will evaluate all these rumors and sophistry based on their immediate interests and make a correct judgment on the grounds of objective facts.

Historically Taiwan has been a part of China and a local administrative division within the Chinese territory that "has been put under the Chinese Government's sovereignty." In proposing to establish a Taiwan Special Administrative Region, the CPC is not "intending to downgrade Taiwan to a local government" but to realize the peaceful reunification of the country, to enable the mainland and Taiwan to coexist under "two different systems" and to safeguard national unity, sovereignty, and territorial integrity. Taiwan will lose nothing after reunification of the motherland. On the contrary, reunification will enable the Taiwan authorities to extricate themselves from their present isolated position in the world and provide a stronger guarantee of economic prosperity for the Taiwan region. The PRC's high international standing has been generally recognized by the international community. In the final analysis, the reason why Taiwan has a "sense of isolation" is because it has separated itself from the motherland. There should be no doubt that the leaders and people on both sides of the Taiwan Strait will share the international prestige of the PRC in the wake of the peaceful reunification of mainland China and Taiwan.

The CPC and the Chinese Government mean what they say. The Draft Basic Law of the Hong Kong Special Administrative Region (for Solicitation of Opinions) is clear proof. This Draft Basic Law will be revised and polished. As clearly pointed out in its preamble: According to the principle of "One Country Two Systems," the socialist system and socialist policies shall not be practiced in Hong Kong. Also, Article 4 of the General Provisions clearly provides that "The socialist system and socialist policies shall not be practiced in the Hong Kong Special Administrative Region and the previous capitalist system and lifestyle shall remain unchanged for 50 years." Not only have the CPC and the Chinese Government retained all the basic principles and policies toward Hong Kong declared by the Chinese Government and laid down in the Sino-British Joint Declaration, but they have turned them into specific articles, guaranteed their validity, and fixed the scientific idea of "One Country Two Systems" in a new legal form. The perfection and implementation of this principle and policy will provide a solid foundation for the stability, prosperity, and development of Hong Kong, and will create new conditions for the further practice of the "One Country Two Systems" concept.

Fourth, on "military threat"

The duties of the PRC's Armed Forces are to safeguard the implementation of reform, opening up, and socialist modernization in China, resist external aggression, and defend world peace and development. The PRC's Armed

Forces also serve as an important guarantee of the fulfillment of the country's peaceful reunification. How can such an Army be called the "obstacle" to reunification of China?

The settlement of the Taiwan issue is purely a Chinese internal affair. There are two ways to solve the issue, namely the peaceful and nonpeaceful solutions. In putting forward the concept of "One Country Two Systems," the CPC and the Chinese Government are merely trying their best to seek a peaceful settlement of the issue. This does not constitute a "military threat" to the Taiwan authorities.

In my opinion, no "military threat" will arise if the Taiwan authorities can set store by the great cause of reunification of the motherland, join with Taiwan people in all walks of life, and work together with the CPC and people in all circles on the mainland to start talks on peaceful reunification, in an appropriate form and on an equal footing. We will never give up our efforts to seek a peaceful settlement of the Taiwan issue so long as none of the following cases occurs: 1) The peaceful solution simply does not work because the Taiwan authorities try to put off and hinder national reunification indefinitely in disregard of their sacred duty to the nation; 2) Foreign military interference arises infringing upon China's sovereignty and hindering the great cause of reunification of China; 3) The idea of "independence for Taiwan" is openly put into effect, threatening the sovereignty and territorial integrity of China; 4) The Taiwan authorities engineer and engage in any military operation that may endanger national reunification as the fundamental interests of the country; and so on. Even if we were forced to resort to a non-peaceful solution to the Taiwan issue because of the occurrence of any of the above unfortunate cases, we would still uphold the principle of "One Country Two Systems" and would never change our minds after the issue was solved. Of course, in such a case we would have to suffer unnecessary losses and be faced with extra twists and turns. Therefore we do not want to see such a development and will try our best to prevent it. Our intention is quite obvious as we are now concentrating our attention on socialist modernization and we badly need peaceful reunification, stability, and unity at home, and a peaceful international environment. I believe that Taiwan also needs stability and development very much. The Taiwan authorities have always adhered to the principled stand for one China. Therefore, our efforts will not be hopeless in striving for peaceful reunification of Mainland China and Taiwan, which will enable the two sides to peacefully coexist, emulate and cooperate with each other, and strive for common prosperity and development side by side under the principle of "One Country Two Systems." If one underestimates this possibility, one will not see the bright prospects for peaceful reunification of the motherland. Thus it can be seen that Messrs Yang and Kao's argument that "the CPC's military threat" is an "obstacle" to the reunification of China will just confuse

public opinion. People of insight on both sides of the Taiwan Strait will be the best judges to evaluate their argument.

5. On the Questions of "Confidence" and "Misgivings"

These questions can gradually be solved through practical actions of peaceful unification of the two coasts of the strait and through the practice of "One Country, Two Systems." The leaders' confidence comes from correct policy decisions and the support of the people; the people's confidence is related to their personal economic interests and the political future. At the same time confidence is related to sincerity and as the leading groups of the two coasts of the strait are full of sincerity in the wish for peaceful unification of the motherland, the desires of the compatriots on the two coasts will surely be reflected and vigorous steps taken to push forward the progress of national unification. Messrs Yang and Kao therefore have not conducted specific analysis of the question of "confidence" and regarded it as an "obstacle" to the unification of China. This is very improper.

Regarding the "political misgivings of the Taiwan people," we must say that this is closely related to the several decades of separation between the two coasts strait and the long-term confrontation between the KMT and the communist party. In addition to the other factors, the impracticable publicity by both sides is also an important reason. However, since the CPC readjusted its policy toward Taiwan, particularly since it proposed "one country, two systems" and advocated direct "three exchanges" these "political misgivings" have been related to the "three nos" policy of the Taiwan Authorities. They have also been the result of the blockade of and separation from the mainland. This has caused the Taiwan compatriots to know nothing about the new situation of the mainland as well as the new policies of the CPC in the mainland. Moreover, they can hardly correctly understand the basic principle of the CPC on solving the Taiwan problem. I hold that the best way to solve these kind of questions on ideology and understanding is to step up the direct and indirect exchanges between the mainland and Taiwan, to promote mutual understanding, to strengthen mutual trust, to eradicate estrangement, and to break artificial obstacles to the reunification of China.

I have given a negative reply as mentioned above to Messrs Yang's and Kao's so-called "obstacles to unification coming from the CPC." If you have any different views you can continuously put them forward for discussion. What then are the obstacles to the reunification of China? I consider that the following three factors warrant people's attention:

1. The obstacles come from foreign intervention outside Taiwan. The reunification of the mainland and Taiwan is completely a problem of China's internal affairs. If other countries intervene at will there will be no end of trouble for the future.

2. There are two factors coming from within Taiwan Island: Taiwan "independent elements" have run wild and the Taiwan authorities have yet to officially abandon their "three nos" policy and their precept of the "reunification of China by the Three People's Principles." Of course there is some change in the latest situation. We have seen Mr Li Teng-hui's attitude toward these kind of questions. It begins to show that the healthy forces of the Taiwan authorities are relatively wise. Some of them have begun to clear-headedly put forward the new direction of move. If the policy decisions and steps which are beneficial to national unification are continuously adopted, although the road is not straight, the prospects are brilliant.

3. All public opinion, propaganda, and political propositions which are disadvantageous to national reunification have come from inside and outside Taiwan Island. They include the so-called "one China, one Taiwan," "two Chinas," "one country, two seats," "a multisystem country," "one country, two rulers," "one country, one system," the so-called "dual recognition," and "maintenance of the status quo." As for these kind of questions we can continuously distinguish between right and wrong and gradually solve them.

In a word, "one country, two systems" is still better than many other modes of reunification which have been put forward by those inside and outside the island. It is because it meets the practical needs of the two coasts, embodies the characteristic of the peaceful reunification of China, and shows great creation by the Chinese nation's political wisdom. We hope that the Taiwan authorities will be able to make a correct choice in the light of their 30-odd years' historical experiences. Together with the people of various circles, we will overcome all factors which are disadvantageous to peaceful unification.

Rules Discourage Marriage to Taiwan Compatriots
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[Text] Beijing, June 29 (XINHUA)— Rules have been drawn up on the handling of marriage applications between Taiwan compatriots and Mainland Chinese, said a spokesman for the Ministry of Civil Affairs.

He said applications by Taiwan compatriots who have settled down on the mainland for marriage with Mainland Chinese will be processed by civil affairs departments at above county levels.

These departments will handle the applications in light of the "Marriage Registration Specifications" made by the ministry in March 1986, he added.

Taiwan compatriots who have settled down on the mainland must submit certificates on their current marriage status issued by their work units or neighbourhood committees or villages' committees.

They must also provide certificates on their marriage status prior to coming to the mainland. Different requirements are made for certificates submitted by Taiwan compatriots who live in other countries or different regions such as Hong Kong and Macao for half a year immediately before they come to the mainland.

If they cannot provide such certificates, they must submit a self-written statement on not having a spouse, and the statement must be notarized by an agency at the place where they currently live.

Considering the present situation on both sides of Taiwan Strait, the spokesman said, many inconveniences will be encountered by both parties in marriages between Mainland Chinese and Taiwan compatriots who come to the mainland temporarily for visiting relatives, sightseeing or business.

"So explanations should be made to dissuade such applicants," he said.

If they stick to their requests after dissuasion, their applications will be handled by marriage registration agencies specified by the provincial people's governments.

The Taiwan compatriots in such cases must submit either of the four kinds of documents including "Travel Certificate for Taiwan Compatriots", "Travel Certificate of the People's Republic of China," or "PRC passport", identification cards, certificates on premarriage physical examination.

If they previously went to settle in Taiwan from the mainland, they must also submit certificates issued by notary agencies in places they previously lived on not having spouses.

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